CAI FN1
B77

Government Publications

HJ
13
A25
1940
Appen.

APPENDIX

TO

THE BUDGET, 1940-41

Budget Papers presented by the Honourable J. L. Ralston, M.P., for the information of Parliament on the occasion of the Budget of 1940-41

A. Review of Government Accounts, 1939-40.

B. Review of Economic and Financial Conditions, 1939-40.

LIBRARY
8 1940
UNIVERSITY OF TORONTO

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1940

3803—1

INDEX

	Page
A. Review of Government Accounts, 1939-40	3
Statement of Revenues	4
Statement of Expenditures	5
Summary of Revenues and Expenditures	8
Revenues, 1939-40	9
Expenditures, 1939-40	10
Ordinary Expenditures	10
Capital Expenditures	10
Special Expenditures	11
Government Owned Enterprises	14
Other Charges	16
Percentage Distribution of Revenues and Expenditures	16
Over-All Deficit, 1939-40	18
Loans and Investments, Active Assets	18
Loan Flotations	22
The National Debt	23
Indirect Liabilities	26
B. Review of Economic and Financial Conditions, 1939-40	28
Physical Volume of Business	30
Agriculture	30
Mining	32
Forestry	33
Fisheries	34
Manufacturing	34
Construction	35
Railways	37
Foreign Trade	37
Employment and Unemployment	39
Prices	40
Financial Factors	42

DOMINION OF CANADA

A. GOVERNMENT ACCOUNTS, 1939-40

Comparative Summary Statement of Revenues and Expenditures

1. As the final figures for the fiscal year 1939-40 are not as yet available, all statements dealing with revenues, expenditures, investments and balance sheet items are estimated. It is expected that when the books of the year are finally closed, any variations from the figures shown herein will be of slight importance.

2. The following tables show, by main categories and in detail, revenues, expenditures and the increase in net debt for the fiscal year 1939-40, together with comparable figures for the four preceding fiscal years:

3803—1½

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS

(000 omitted)

——	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
Tax Revenues—					
Customs import duties	74,004	83,771	93,456	78,751	104,301
Excise duties	44,410	45,957	52,037	51,314	61,032
War tax revenues—					
Banks	1,281	1,210	1,107	1,014	949
Insurance companies	761	775	867	891	926
Income tax	82,710	102,365	120,366	142,026	134,449
Sales tax	77,552	112,832	138,055	122,139	137,446
Manufacturers', importations, stamps, transportation taxes, etc	35,181	39,641	42,764	39,572	28,582
Tax on gold	1,413	—	—	—	—
Total revenue from taxes	317,312	386,551	448,652	435,707	467,685
Non-tax Revenues—					
Canada Grain Act	1,213	1,192	680	1,156	1,711
Canada Gazette	49	48	47	49	55
Canals	890	1,004	1,866	723	762
Casual	4,636	6,276	6,597	7,440	9,373
Chinese revenue	6	7	2	2	2
Electricity	542	646	692	726	715
Fines and forfeitures	295	134	209	211	88
Fisheries	42	56	60	52	54
Gas inspection	91	93	88	84	81
Insurance inspection	147	152	162	172	179
Interest on investments	10,614	11,231	13,120	13,163	13,394
Lands, Parks and Forests	458	478	541	681	677
Marine	222	263	336	377	349
Mariners' fund	187	205	206	211	278
Military college	20	20	20	20	14
Militia pensions revenue	178	187	194	209	233
Ordnance lands	16	15	16	20	18
Patent and copyright fees	455	464	452	442	416
Penitentiaries	68	62	63	82	137
Post Office	32,508	34,275	35,546	35,288	36,729
Premium, discount and exchange	36	—	27	478	7,940
Public Works	251	274	318	297	306
Radio Licences	1,574	(1) 990	—	—	—
R.C.M.P. officers' pensions	11	10	11	11	11
Weights and measures	401	396	393	416	411
Total non-tax revenue	54,910	58,478	61,646	62,310	73,933
Total ordinary revenues	372,222	445,029	510,298	498,017	541,618
Special Receipts—					
Sundry receipts	320	(2) 8,464	3,010	1,256	164
Other credits—					
Refunds on capital account	27	616	1,543	40	21
Credits to non-active accounts	27	45	819	2,858	20,292
Net credit resulting from various adjustments in Railway accounts authorized by Canadian National Railways Capital Revision Act, 1937	—	—	1,023	—	—
Total Special Receipts and Credits	374	9,125	6,395	4,154	20,477
Grand Total Revenue	372,596	454,154	516,693	502,171	562,095

(1) As from November 1936, radio licence fees have been deposited to credit of The Canadian Broadcasting Corporation.

(2) Includes $8,000,000 from Canadian Wheat Board taken into the accounts as an offset, in part, to the disbursements in 1935-36 *re* losses on 1930 wheat pool and stabilization operations.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
ORDINARY EXPENDITURE	$	$	$	$	$
Agriculture	9,399	8,741	9,017	9,527	11,817
Auditor General's Office	429	423	463	473	459
Civil Service Commission	259	305	358	379	398
External Affairs, including Office of Prime Minister	1,290	1,341	1,450	1,057	1,228
Finance—					
Interest on Public Debt	134,549	137,410	132,118	127,996	129,315
Cost of Loan Flotations and Annual Amortization of Bond Discounts and Commissions	3,577	3,839	4,555	4,914	4,992
Premium, Discount and Exchange (net)	—	400	—	—	—
Subsidies to Provinces	13,769	13,735	13,735	13,752	13,769
Special Grants to Provinces	3,975	3,225	7,475	7,475	5,475
Other Grants and Contributions	736	540	560	643	660
Civil Pensions and Superannuation	854	787	712	638	574
Government contribution to Superannuation Fund	1,875	2,019	2,065	2,220	2,271
Old Age Pensions, including pensions to blind persons commencing in 1937-38	16,764	21,149	28,653	29,044	29,977
General Expenditure	3,654	3,498	3,573	3,639	3,959
Fisheries	1,710	1,691	1,850	2,036	2,320
Governor General and Lieutenant Governors	219	224	225	226	227
Insurance	163	172	187	194	195
Justice	2,748	2,773	2,790	2,748	2,725
Penitentiaries	2,377	2,372	2,577	2,675	2,941
Labour	660	720	706	788	788
Technical Education	99	76	49	27	31
Government Annuities—					
Payments to maintain reserve	272	541	8,941	—	—
Legislation—					
House of Commons	1,486	1,760	1,516	1,800	1,286
Library of Parliament	76	75	79	72	76
Senate	491	587	536	600	432
General	55	73	57	75	68
Dominion Franchise Office	498	53	76	50	—
Chief Electoral Officer, including elections	1,089	72	45	114	458
Mines and Resources—					
Administration	—	—	(1) 1,491	(1) 184	(1) 180
Immigration and Colonization	1,322	1,313	1,163	1,335	1,338
Indian Affairs	4,869	4,904	4,897	5,305	5,579
Interior	2,939	2,887	—	—	—
Lands, Parks and Forests	—	—	1,910	2,249	2,117
Surveys and Engineering	—	—	933	1,325	1,406
Mines and Geological Survey	1,040	1,135	658	1,340	1,325
Movement of Coal and Subsidies under Domestic Fuel Act	2,103	2,277	2,521	1,921	4,532
National Defence—					
Administration	—	—	—	(2) 409	(2) 166
Militia Service	10,141	11,346	17,221	15,772	5,995
Naval Service	2,380	4,763	4,372	6,590	1,869
Air Service	3,777	5,822	10,018	11,216	4,852
Sundry Services	879	992	1,149	447	310
National Revenue (including Income Tax)	10,963	11,205	11,870	11,899	12,064
Pensions and National Health—					
Administration	—	—	—	(2) 118	(2) 126
Treatment and after-care of returned soldiers	11,060	11,579	12,109	13,453	14,778
Pensions, War and Military	42,790	42,801	42,240	42,181	42,217
Health Division	993	873	957	1,012	1,113

(1) Prior to 1937-38 general administration expenses were not segregated from other expenditures of the respective services of the departments which were amalgamated to form the Department of Mines and Resources. The figures from 1938-39 represent only Departmental Administration, other administration costs being included as in other departments, under the respective services.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—Continued

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
ORDINARY EXPENDITURE—*Concluded*					
Post Office	31,438	31,906	33,762	35,456	36,727
Privy Council	46	45	48	49	59
Public Archives	165	160	170	159	149
Public Printing and Stationery	169	169	161	191	199
Public Works	12,945	14,519	12,382	15,484	13,066
Royal Canadian Mounted Police	6,165	5,901	6,308	6,145	5,667
Secretary of State	705	655	693	730	836
Soldier Settlement	762	806	801	758	621
Trade and Commerce	3,458	5,523	4,070	4,763	4,950
Canada Grain Act	1,848	1,739	1,675	1,847	1,983
Mail Subsidies and Steamship Subventions	2,426	2,120	2,029	1,993	1,907
Transport—					
Administration	—	—	(2) 417	(2) 371	(2) 364
Air Service	—	—	(3) 2,935	(3) 3,457	(3) 3,862
Marine Service	5,857	5,614	4,290	4,271	4,215
Canadian Radio Commission	1,500	878	—	—	—
Canadian Travel Bureau	248	250	250	249	312
Railways and Canals	4,002	3,769	3,661	4,371	3,756
Maritime Freight Rates Act	2,348	2,506	3,183	2,583	2,660
Railway Grade Crossing Fund	128	54	180	187	255
Total ordinary expenditure	372,539	387,112	414,892	413,032	397,996
CAPITAL EXPENDITURE					
Canals	458	52	—	—	—
Railways	287	203	71	26	23
Public Works	5,799	3,237	4,359	5,398	7,006
Total capital expenditure	6,544	3,492	4,430	5,424	7,029
SPECIAL EXPENDITURE					
Unemployment Relief Act, 1930	26	—	—	—	—
Unemployment Relief Act, 1931	26	—	—	—	—
Unemployment Relief Act, 1932	111	—	—	—	—
Unemployment Relief Act, 1933	494	—	—	—	—
Unemployment Relief Act, 1934	1,152	—	—	—	—
Unemployment Relief Act, 1935	48,027	—	—	—	—
Administration—Relief Acts	—	194	378	260	287
Grants-in-aid to Provinces	—	28,930	19,493	17,037	—
Material Aid to Provinces, including municipal improvements projects	—	—	—	—	19,534
Dominion share of joint Dominion-Provincial projects	—	12,692	8,841	6,259	7,147
Dominion Projects	—	23,554	13,913	12,981	24,919
Transportation facilities into mining areas	—	1,221	1,324	1,213	1,121
Railway Maintenance Relief Work	—	2,662	—	—	—
	49,836	69,253	43,949	37,750	53,008
Western Drought Area Relief—					
Direct Relief	—	5,144	11,925	8,869	1,605
Feed and fodder and freight thereon	—	3,517	11,352		
Freight charges on movement of cattle	—	90	—	—	—
Expenses of marketing cattle	—	—	337	—	—
Purchase and distribution of food stuffs	—	—	972	277	—
Prairie Farm Assistance Act, 1939— Net Expenditure	—	—	—	—	7,500
	—	8,751	24,586	9,146	9,105

(2) Prior to 1937-38 in the case of the Department of Transport and prior to 1938-39 in the case of National Defence and Pensions and National Health general administration expenses were not segregated from other expenditure of the respective services of the departments.

(3) Prior to 1937-38 expenditures on civil aviation, now the Air Service Branch of the Department of Transport, were included under expenditures for the Air Service Branch of the Department of National Defence.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—Continued

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
SPECIAL EXPENDITURE—*Concluded*					
Public Works Construction Acts	29,581	—	—	—	—
1930 Wheat Crop Equalization Payments Act	6,600	—	—	—	—
Loss on 1930 Wheat Pool and stabilization operations—					
Payment to Canadian Wheat Board of net liability assumed as at Dec. 2, 1935	15,856	—	—	—	—
Loss on 1930 oats pool under guarantee of bank advances to Canadian Co-operative Wheat Producers, Limited	174	—	—	—	—
Provision for reserve against estimated losses on 1938 wheat marketing guarantees	—	—	—	25,000	27,000
	52,211	—	—	25,000	27,000
War Expenditure	—	—	—	—	118,340
Total special expenditure	102,047	78,004	68,535	71,896	207,453
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Fund—					
Canadian National Railway System, ex-eastern lines	41,796	37,449	37,882	48,194	34,851
Eastern Lines	5,625	5,854	4,464	6,120	5,245
Prince Edward Island Car Ferry and Terminals	—	—	—	(1) 388	427
Canadian National Steamships	270	—	—	—	—
National Harbours Board	1,126	250	289	138	94
Trans-Canada Air Lines	—	—	111	818	412
Central Mortgage Bank	—	—	—	—	16
Total charged to consolidated fund	48,817	43,553	42,746	55,658	41,045
Loans and advances non-active—					
Canadian National Steamships	(Cr.) 333	(Cr.) 1,754	104	6	8
National Harbours Board	2,456	2,419	1,983	3,279	1,027
Total non-active advances	2,123	665	2,087	3,285	1,035
Total government-owned enterprises	50,940	44,218	44,833	58,943	42,080
OTHER CHARGES					
Write-down of assets chargeable to Consolidated Fund—					
Drought Area Relief Loans, 1934-35—Province of Saskatchewan	—	—	—	—	1,374
Reduction in soldier and general land settlement loans	488	628	750	1,023	1,643
Yearly established losses in seed grain and relief accounts—Department of Mines and Resources	27	44	14	18	10
Canadian National Railways Securities Trust Stock—Reduction due to line abandonments during calendar years 1938 and 1939	—	—	(2) —	2,713	2,600
Cancellation of Canadian Farm Loan Board—Capital Stock	—	20	10	14	11
Province of Manitoba Treasury Bills	—	—	(4) 805	—	—
Province of Saskatchewan Treasury Bills	—	—	—	—	(4) 17,682

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—Concluded

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
Non-active Accounts—					
General Land Settlement Loans	—	—	139	—	—
Active assets transferred to non-active.	—	[3] 18,487	—	—	—
Fulfilment of guarantees—					
The Saskatchewan Seed Grain Loans Guarantee Act, 1936	—	—	—	—	2,638
Total other charges	515	19,179	1,718	3,768	25,958
Grand total expenditures	532,585	532,005	534,408	553,063	680,516

[1] Included with Eastern lines in previous years.
[2] An amount of $711,000 representing line abandonments during the calendar year 1937 was included in the adjustments resulting from the Canadian National Railways Capital Revision Act, 1937.
[3] Dominion contribution to Voluntary Debt Adjustment Program effected in Provinces of Manitoba and Saskatchewan respecting Drought Area Relief that was financed by the Dominion up to January 1, 1935—Manitoba $805,000, Saskatchewan $17,682,000.
[4] These amounts are offset by a contra account on the revenue side.

SUMMARY OF REVENUES AND EXPENDITURES

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
Ordinary expenditures	372,539	387,112	414,892	413,032	397,996
Ordinary revenues	372,222	445,029	510,298	498,017	541,618
Deficit (−) or surplus (+) on ordinary account	−317	+57,917	+95,406	+84,985	+143,622
Special expenditures	102,047	78,004	68,535	71,896	207,453
Less special receipts	320	8,464	3,010	1,256	164
Balance	101,727	69,540	65,525	70,640	207,289
Add—Capital expenditures	6,544	3,492	4,430	5,424	7,029
" Government owned Enterprises	50,940	44,218	44,833	58,943	42,080
" Other charges	515	19,179	1,718	3,768	25,958
	159,726	136,429	116,506	138,775	282,356
Less other credits	54	661	3,385	2,898	20,313
	159,672	135,768	113,121	135,877	262,043
Add deficit or deduct surplus as above	317	57,917	95,406	84,985	143,622
Over-all deficit or increase of direct net debt	159,989	77,851	17,715	50,892	118,421

REVENUES, 1939–40

3. The total revenues of the Dominion from taxation and other sources, not including $20,292,000 of credits to non-active account which necessarily appears also on the expenditure statement, aggregated $541,803,000. This represents an increase of $26,952,000 or 5·2% over the previous all-time record revenue received in the fiscal year 1937–38. Compared with last fiscal year, 1938–39, the increase was $42,490,000, or 8·5%.

4. Total revenue from taxation amounted to $467,685,000, an increase of $31,978,000 over that collected in the previous year. With the exception of (1) income tax, and (2) manufacturers', importations, stamps, transportation taxes, etc., the main sources of taxation recorded substantial increases over last fiscal year. These increases arose out of taxation changes effected by the emergency budget of September 12, 1939 and improvement of business conditions generally.

5. The sales tax replaced income tax as the largest single revenue producer. Receipts from this tax totalled $137,446,000, an increase of $15,307,000 over 1938–39. This increase was due in part to improvement in general business activity and in part to the removal from the schedule of exemptions of electricity and gas used for domestic purposes, salted or smoked meats and canned fish, as provided for in the budget of September 12, 1939.

6. Income tax receipts totalled $134,449,000, a decline of $7,577,000 from that collected in the previous year. This decline was principally in the collections of the tax on corporation incomes based on 1938 earnings. Of the receipts, $77,920,000 was from the tax on corporation incomes, $45,407,000 from the tax on individual incomes, and $11,122,000 from the 5% tax collected at the source on interest and dividends.

7. Other excise taxes including the stamp tax on cheques, etc., and the taxes on sugar, automobiles and rubber tires, matches, toilet preparations, pullman tickets, telegraph and telephone messages and other miscellaneous commodities realized $28,582,000, a decrease of $10,990,000 from the previous year. The removal of the 3% tax on importations under the intermediate tariff resulted in a loss in revenue from this source of $13,612,000. The difference, namely $2,622,000, represents the net increase in other items of excise taxes.

8. Receipts from excise duties, mainly on liquor and tobacco totalled $61,032,000, an increase of $9,718,000. This increase was due largely to the increased duties on liquor and tobacco following the budget of September 12, 1939.

9. The greatest increase in revenues from any one source occurred in customs import duties, where a total of $104,301,000 was realized, compared with $78,751,000 for the previous fiscal year, an increase of $25,550,000 or 32·4%. Of this increase it is estimated that approximately $6,600,000 was obtained from the tariff increases provided for in the September, 1939, budget. The balance of the increase reflects improvement in conditions generally, due in part at least to expanding activity brought about by the war.

10. Non-tax revenues or revenues from services rendered by the various departments and interest on investments, totalled $73,933,000 compared with $62,310,000 in the previous year. The largest non-tax item is the receipts of the Post Office which totalled $36,729,000 during 1939–40, an increase of $1,441,000 over the preceding fiscal year. The cost of operations of the Post Office last year was practically the same as its receipts, there being a nominal surplus of $2,000. Last fiscal year there was a nominal deficit of $168,000. The Post Office accounts do not include the rental value and other costs of premises occupied and equipment used, nor do they include any credit to the Post Office for services rendered to other departments through the free use of the mails.

The second largest non-tax revenue item is Interest on Investments which totalled $13,394,000, an increase of $231,000 over that received in the previous year.

Casual Revenue including mint handling charges and net profits on coinage, Dominion's share of surplus profits of the Bank of Canada, receipts from various provinces for services rendered by the Royal Canadian Mounted Police and other miscellaneous items totalled $9,373,000.

The large amount shown as Premium, Discount and Exchange revenue is due mainly to the redemption of the 3½% 1930-50 loan of £28,162,776, which was called for payment and paid at the current rate of sterling.

11. Special Receipts and other credits amounted to $20,477,000. The main item in this category is the credit of $20,292,000 made up of $17,682,000 of Province of Saskatchewan treasury bills written off from non-active account; $2,600,000 of Canadian National Railways Securities Trust Stock written off because of line abandonments during the calendar year 1939; and $10,000 representing the yearly established losses in the seed grain and relief accounts of the Department of Mines and Resources. All of these amounts necessarily appear on the expenditure statement under the heading of "Other Charges".

EXPENDITURES, 1939-40

12. The comments which follow will deal with expenditures classified by the usual main categories: Ordinary Expenditures, Capital Expenditures, Special Expenditures (including relief and war), Operating Deficits of and Non-active Advances to Government Owned Enterprises, and Other Charges. All disbursements under these categories are included as expenditure in arriving at the over-all deficit or increase in net debt.

Ordinary Expenditures

13. Ordinary expenditures, which include interest on the public debt and the general administrative expenses of the Government totalled $397,996,000, a decrease of $15,036,000 from the previous fiscal year.

The largest decrease in ordinary expenditures is in the Department of National Defence where by reason of the war a change in policy was instituted as from September 1, 1939 which involved the charging of certain expenditures of this department to War Expenditures. These are included in the totals shown under section 15. Certain Defence Expenditures, totalling $3,770,000, originally set up as Capital have been charged to Ordinary Account pursuant to Item 205 of the Main Estimates, 1940-41. Ordinary expenditures of the Public Works Department decreased approximately $2,400,000 and special grants to provinces were reduced by $2,000,000.

There were no very large increases in the ordinary expenditures of any particular department. Expenditures of the Department of Agriculture increased by $2,290,000. Interest on public debt was up by $1,319,000. The Dominion's share of Old Age Pensions, including pensions to blind persons was $933,000 higher than last fiscal year. Payments in connection with the movement of coal under the Department of Mines and Resources increased by $2,611,000. The only other increase of any considerable amount was for the treatment and after-care of returned soldiers which increased by $1,325,000.

Capital Expenditures

14. Total expenditures charged to capital amounted to $7,029,000 compared with $5,424,000 in the previous year. The main items in this category are expenditures arising out of dredging the St. Lawrence Ship Channel and the construction and improvements of airways and airports.

Special Expenditures

War Expenditures—

15. Expenditures arising out of the War are treated as special expenditures. The amount actually expended and charged to the fiscal year 1939-40 was $118,340,000 divided by departments and services as follows:—

Agriculture—		
Purchase of Apples	$ 1,302,000	
Purchase of Fibre Flax Seed	1,000	
Program to encourage production of essential agricultural war supplies	39,000	
Sundry	35,000	
		$ 1,377,000
Auditor General's Office—		
Audit of War Expenditure		8,000
Civil Service Commission—		
Additional War Expenses		6,000
External Affairs—		
Establishment of new offices abroad	47,000	
Sundry	29,000	
		76,000
Finance—		
Comptroller of the Treasury—		
Dependents' Allowance Office and Outside Establishments	358,000	
War Supply Board Administration	215,000	573,000
Justice—		
Prize Court	1,000	
Defence of Canada regulations	13,000	
		14,000
Labour—		
Wartime Prices and Trade Board		55,000
Mines and Resources—		
Repatriation of distressed Canadians abroad		18,000
National Defence—		
Administration	504,000	
Military Services	67,323,000	
Censoring	99,000	
Internment	274,000	
Naval Services	11,351,000	
Air Services	28,554,000	
British Commonwealth Air Training Plan	4,257,000	
		112,362,000
National Harbours Board—		
St. John—Dredging—Courtenay Bay		70,000
National Research Council—		
Scientific and Technical Work		121,000
National Revenue—		
Censorship of Publications		2,000

War Expenditures—Concluded		
Pensions and National Health—		
Hospitalization Expenses—		
C.A.S.F.	778,000	
R.C.M.P.	49,000	
Air Raid Precautions	56,000	
Sundry	17,000	
		900,000
Post Office—		
Censorship Co-ordination Committee (Postal Censorship)		70,000
Privy Council—		
Censorship Co-ordination Committee	5,000	
Sub-Committee of the Cabinet on Public Information	25,000	
		30,000
Public Works—		
New Office building in Ottawa	137,000	
Furniture, etc., for new employees	263,000	
Alterations to buildings	203,000	
Rental of new premises	87,000	
Construction, repairs and improvements to drydocks and dockyards	68,000	
Halifax barracks and torpedo building	60,000	
Sundries	11,000	
		829,000
Royal Canadian Mounted Police—		
Increase in strength		1,400,000
Secretary of State—		
Censorship Co-Ordination Committee (Press Censorship Division)	30,000	
Internment Operations	15,000	
Public Information Office	22,000	
Sundries	8,000	
		75,000
Trade and Commerce—		
Expenses *re* Canadian Shipping Board		4,000
Transport—		
Airport and airway facilities and aerodrome sites	138,000	
Meteorological services—wartime	25,000	
Radio services—wartime	71,000	
Canals services—canals protection and special pilotage	18,000	
Marine services—increased services of Marine Service Fleet, and replacing of buoys	75,000	
Sundries	23,000	
		350,000
TOTAL		$118,340,000

Relief Expenditures—

16. Special expenditures for the alleviation of unemployment conditions and of agricultural distress amounted in 1939–40 to $62,113,000 compared with $46,896,000 in the previous year. Payments to provinces under the Material Aid and Municipal Improvements Projects agreements amounted to $19,534,000 compared with Grants-in-aid to provinces the previous year of $17,037,000. The Dominion's share of joint Dominion-Provincial projects, including transportation facilities into mining areas and the development of tourist highways, increased from $7,472,000 to $8,268,000. The total cost of public works and other projects including administration for which the Dominion assumed sole responsibility amounted to $25,206,000 as compared with $13,241,000 during the preceding year.

Special drought area relief in the Province of Saskatchewan was confined to the earlier months of the fiscal year, and consequently expenditures under this heading declined from $9,146,000 in 1938-39 to $1,605,000 in 1939-40. However, as an offset to this reduction, there was an expenditure during 1939-40 of $7,500,000 under the Prairie Farm Assistance Act, 1939, representing the net cost to the Dominion in connection with the acreage bonuses paid to farmers under the Act.

The following table compares relief expenditures during each of the last two fiscal years:

	1938-39	1939-40
Material Aid to Provinces	$ 17,037,000	$ 18,291,000
Dominion's share, Municipal Improvements projects		1,243,000
Dominion's share of joint Dominion-Provincial projects	7,472,000	8,268,000
Dominion Projects—		
Department of Agriculture	3,338,000	3,620,000
" Fisheries	533,000	232,000
" Mines & Resources	1,672,000	2,752,000
" National Defence	369,000	137,000
" Public Works	5,780,000	13,338,000
" Transport	1,076,000	4,296,000
Sundry Departments	473,000	831,000
Western Drought Area Relief—		
Direct Relief and Agricultural Relief	8,869,000	1,605,000
Foodstuffs	277,000	.....
Prairie Farm Assistance Act Net Payments		7,500,000
	$ 46,896,000	$ 62,113,000

17. The following table shows the Dominion's relief expenditures of a direct nature since the passing of the first Relief Act in 1930:

(000 omitted)

—	Direct Relief including Grants-in-Aid	Joint Dominion-Provincial Works and Projects	Dominion Works and Projects	Western Drought Area Relief	Write-off of Provincial Loans	Miscellaneous Relief Expenditures	Total
	$	$	$	$	$	$	$
Period Sept. 22/30 to Mar. 31, 1935	77,767	49,643	29,977	(1) 15,088	.....	3,532	176,007
Year ended Mar. 31/36	26,570	10,408	38,132	(2) 4,000	.....	306	79,416
Year ended Mar. 31/37	28,931	12,472	27,585	8,751	(3) 18,487	265	96,491
Year ended Mar. 31/38	19,530	10,165	13,847	24,586	.....	407	68,535
Year ended Mar. 31/39	17,070	7,472	12,919	9,146	.....	288	46,895
Year ended Mar. 31/40 (estimated)	19,534	8,268	24,919	(4) 9,105	(5) 1,374	287	63,487
Total	189,402	98,428	147,379	70,676	19,861	5,085	530,831

(1) Includes $5,000,000 Province of Saskatchewan Treasury Bills written off and charged to expenditure.
(2) Represents Province of Saskatchewan Treasury Bills written off and charged to expenditure.
(3) Written down to non-active assets as of March 31, 1937, and written off during 1939–40.
(4) Includes net cost to the Dominion under the Prairie Farm Assistance Act 1939, $7,500,000.
(5) Write off of Saskatchewan Treasury Bills re 1934–35 Drought Area Relief.

In the above table no account is taken of loans to Western Provinces under Relief Acts, loans to cover labour cost of special railway works programs and losses borne by the Dominion as a result of wheat marketing operations.

18. The last item in this classification covers losses arising from the Dominion's guarantee of a price of 80 cents per bushel, basis No. 1 Northern, Fort William, for the Western Wheat Crop of 1938. At the close of the fiscal year under review there remained unsold a small quantity of wheat of the 1938 crop and accordingly the losses of the Canadian Wheat Board in respect of the marketing of that crop were not finally determined. It was clear, however, that these losses would amount to at least $52,000,000. An advance of this amount without interest was made on account to the Board to enable it to pay off guaranteed bank advances. During 1938-39 a reserve of $25,000,000 had been set up as a reserve in the accounts in respect of possible losses in marketing this wheat and the difference between the total advance of $52,000,000 and this reserve, namely, $27,000,000 has been charged to the Dominion's accounts in 1939-40.

Government Owned Enterprises

19. The next major classification of expenditures comprises the losses of, and non-active advances to, Government owned enterprises which are operated as separate corporations.

Canadian National Railways

20. The operating revenues of the Canadian National Railways for the calendar year 1939 amounted to $203,820,000, an increase of $21,578,000 or 11·8% from the preceding year. All classifications of revenue tonnage, except forest products, showed substantial increases over 1938.

Operating expenses of the Railways totalled $182,966,000 an increase of $6,790,000 or 3·8% over 1938. Most of this increase was in maintenance and transportation expenses necessitated by the increase in traffic.

The net revenue available for interest on the railway's debt was $10,635,000 compared with a deficit before interest charges of $3,549,000 in 1938. After payment of interest charges of $49,814,000 due to the public and interest

charges of $916,000 due to the Government in respect of temporary loans for capital purposes, there was a net cash deficit of $40,096,000 compared with $54,314,000 in the previous year, a decrease of $14,218,000.

The operating deficit of the Prince Edward Island Car Ferry and Terminals during 1939 was $427,000 as compared with $388,000 in 1938.

National Harbours Board

21. The operations of the harbours and facilities under the administration of the National Harbours Board in 1939 recorded a small gain over 1938. Operating income for the calendar year after payment of interest to the public but before depreciation and interest on Government advances, totalled $3,723,000 compared with $3,640,000 in the previous year.

Financial assistance provided by the Government to the National Harbours Board and charged to Dominion expenditure in the fiscal year ended March 31, 1940, amounted to $1,121,000. This amount was made up as follows: $94,000 for the operating deficits of the harbours at Quebec and Churchill; $377,000 for non-active advances for the deficit of the Jacques Cartier Bridge at Montreal; $7,000 for retirement of debentures of the Saint John Harbour Commission and $643,000 for capital expenditures at Halifax, Saint John, Quebec, Chicoutimi and Three Rivers.

The elevators at Port Colborne and Prescott operated at a profit during 1939 and the Government received $325,000 from these sources which was credited to Casual Revenue.

Canadian National Steamships

22. Total earnings, especially passenger revenue, of the Canadian National (West Indies) Steamships Limited were seriously affected after the outbreak of war. The 1939 operations of the Company resulted in a surplus of $154,000 after payment of interest on bonds held by the public but before depreciation and interest on advances from the Government. The comparable figure for 1938 was $276,000. The 1939 operating surplus was paid to the Government in partial payment of interest. An advance of $8,000 was made to the Company for capital improvements of vessels under its control.

Trans-Canada Air Lines

23. The operations of the Trans-Canada Air Lines expanded greatly during the calendar year 1939. Operating revenue increased from $591,000 to $2,350,000. The annual deficit after payment of interest on capital and depreciation decreased from $818,000 in 1938 to $412,000 in 1939.

Central Mortgage Bank

24. The operations of the Central Mortgage Bank for the period July 14 to December 31, 1939, resulted in an operating deficit of $16,000 which was paid by the Dominion Government. Further information as to this Bank will be found under Loans and Investments.

Summary

25. The total amount charged to Government expenditures resulting from operating deficits and non-active advances to all government owned enterprises totalled $42,080,000 as compared with $58,943,000 in the fiscal year ended March 31, 1939. The decrease of $16,863,000 was mainly due to the reduction of the deficit of the Canadian National Railways. Loans and Advances to Government Owned Enterprises which are treated in the Public Accounts as Active Assets are referred to in a later section.

OTHER CHARGES

26. Other Charges, the final main category of expenditures, amounted to $25,958,000. The principal item included in this total was the write-off of Saskatchewan treasury bills from non-active assets to Consolidated Fund amounting to $17,682,000. Other items similarly dealt with were reduction of Canadian National Railways Securities Trust Stock of $2,600,000 representing line abandonments during the calendar year 1939 and the yearly established losses in seed grain and relief accounts of the Department of Mines and Resources amounting to $10,000. The total of these three items, namely, $20,292,000, is offset by a similar amount of Other Credits already referred to under Revenues.

The annual write-off of Soldier and General Land Settlement Loans amounted to $1,643,000. Capital Stock of the Canadian Farm Loan Board in the amount of $11,000 was cancelled. An amount of $1,374,000 of Saskatchewan Treasury Bills was written-off as a final adjustment with respect to drought area relief assumed by the Dominion for the period September 1, 1934, to August 31, 1935.

Pursuant to the Saskatchewan Seed Grain Loans Guarantee Act, 1936, the Dominion was required to fulfil its guarantee with respect to bank loans to municipalities to the extent of $2,638,000.

SUMMARY OF EXPENDITURES

27. The grand total of the preceding expenditures, i.e., Ordinary, Capital, Special including War, Government Owned Enterprises, and Other Charges, is $680,516,000 for the fiscal year 1939–40.

28. The following table shows the percentage distribution of revenues and expenditures for a number of important items of revenue and expenditure. Receipts from various taxes and other revenue sources are shown as percentages both of total revenues and of total expenditures. Similarly, several of the main items of expenditure or groups of such items are shown as percentages both of total expenditures and of total revenues. This table should only be used for the purpose of drawing broad conclusions as to the relative burdens imposed on the treasury by the several important services or obligations of Government.

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1939-40

(000 omitted)

Revenues	Amount (estimated)	Percentage of total Revenues	Percentage to total Expenditure
	$	%	%
Ordinary Revenue—			
Income Tax	134,449	23·92	19·76
Customs Import Duties	104,301	18·56	15·33
Excise Duties	61,032	10·86	8·97
Sales Tax	137,446	24·45	20·20
Manufacturers', importation, stamp taxes, etc	28,582	5·09	4·20
Other tax revenues	1,875	0·33	0·27
Total Revenue from Taxes	467,685	83·21	68·73
Non-tax Revenues	73,933	13·15	10·86
Total Ordinary Revenue	541,618	96·36	79·59
Special Receipts and Credits	164	0·03	0·02
Other Receipts and Credits—			
Refunds of capital expenditures and credits on non-active accounts	20,313	3·61	2·99
Grand Total Revenues	562,095	100·00	82·60

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1939-40—Concluded

(000 omitted)

Expenditures	Amount (estimated)	Percentage of total Expenditure	Percentage to total Revenue
	$	%	%
Ordinary Expenditure—			
Interest on public debt	129,315	19·00	23·01
Cost of loan flotations and amortization charges	4,992	0·73	0·89
Public Debt Charges	134,307	19·73	23·90
Subsidies and special grants to Provinces	19,244	2·83	3·42
Old Age Pensions	29,977	4·40	5·33
Civil pensions and superannuation	574	0·08	0·10
Pensions and after-care of soldiers—			
Pensions, war and military	42,217	6·20	7·51
Treatment and after-care of returned soldiers	14,778	2·17	2·63
Total	56,995	8·37	10·14
Agriculture	11,817	1·74	2·10
Fisheries	2,320	0·34	0·41
Legislation	2,320	0·34	0·41
Mines and Resources	16,477	2·42	2·93
National Defence	13,192	1·94	2·35
Post Office	36,727	5·40	6·54
Public Works	13,066	1·92	2·33
Transport	15,424	2·27	2·75
All other	45,556	6·70	8·10
Total Ordinary Expenditure	397,996	58·48	70·81
Capital Expenditure—			
Railways	23	—	—
Public Works	7,006	1·03	1·25
Total Capital Expenditure	7,029	1·03	1·25
Special Expenditure—			
Reserve for losses on wheat	27,000	3·97	4·80
Material aid to Provinces, including improvements projects	19,534	2·87	3·48
Dominion projects	24,919	3·66	4·43
Western Drought Area Relief	9,105	1·34	1·62
Miscellaneous relief	8,555	1·26	1·52
War expenditure	118,340	17·39	21·06
Total Special Expenditure	207,453	30·49	36·91
Government Owned Enterprises—			
Losses charged to Consolidated Fund—			
Canadian National Railways	40,523	5·95	7·21
National Harbours Board, Trans-Canada Air Lines and Central Mortgage Bank	522	0·08	0·09
Loans and Advances Non-Active—			
Canadian National Steamships and National Harbours Board	1,035	0·15	0·18
Total Government Owned Enterprises	42,080	6·18	7·48
Other Charges—			
Write-down of assets	23,320	3·43	4·15
Fulfilment of guarantees—Saskatchewan Seed Grain Loans Guarantee Act, 1936	2,638	0·39	0·47
Total Other Charges	25,958	3·82	4·62
Grand Total Expenditures	680,516	100·00	121·07

OVER-ALL DEFICIT

29. Total revenues for 1939-40 amounted to $562,095,000, and total expenditures to $680,516,000, resulting in an over-all deficit of $118,421,000. In the preceding fiscal year, the comparable deficit was $50,892,000.

LOANS AND INVESTMENTS

Active Assets

30. In addition to the expenditures for the year, as already outlined, the Dominion has made disbursements for the acquisition of investments which are considered as active assets in the Public Accounts. These active assets are deducted from the total direct debt in arriving at the figure of net debt. During the fiscal year 1939-40, the net increase in active loans and investments was $46,017,000 as compared with $27,557,000 in 1938-39.

Loans to Provinces

31. Under authority of the annual Relief Acts, 1931 to 1935, inclusive, the Dominion had power to grant financial assistance to a provincial government by way of loan, advance or guarantee without limitation as to purpose or amount. Up to the close of the fiscal year 1935-36, loans had been granted to the four Western Provinces for purposes other than relief including the retirement of maturing provincial obligations, and, to a limited extent, ordinary provincial government expenditures. Since April 1, 1936, the Dominion's lending power has been limited to the making of loans only where necessary to enable a province to pay its share of expenditures pursuant to agreements with the Dominion entered into under authority of the relative Relief Act.

32. The total amount of loans advanced during the fiscal year 1939-40 was $12,191,966, divided as follows:—

Manitoba	$ 2,012,000
Saskatchewan	8,633,414
British Columbia	1,546,552

In addition the Dominion accepted Saskatchewan Treasury Bills to the net amount of $1,614,335 in respect of certain interest accruals on previous relief loans which the Province was unable to pay in cash.

33. During the year repayments of loans were made to the amount of $1,240,273 as follows:

Manitoba	$ 129,507
Saskatchewan	1,057,068
Alberta	53,698

34. The following tables show the net loans made to each province during each fiscal year and a classification of such loans on the basis of the general purposes for which the loans were given:—

NET LOANS TO PROVINCES UNDER RELIEF ACTS BY FISCAL YEARS

—	Manitoba	Saskatchewan	Alberta	British Columbia	Total
	$	$	$	$	$
1931–32	2,788,812	10,934,341	4,097,740	4,813,124	22,634,017
1932–33	5,171,904	7,578,556	1,902,041	912,636	15,565,137
1933–34	2,273,283	5,469,240	4,050,743	1,321,761	13,115,027
1934–35	2,874,631	10,141,014	1,926,476	7,966,714	22,908,835
1935–36	2,396,226	14,245,478	13,104,000	12,558,445	42,304,149
1936–37	4,626,000	6,058,879	805,198	3,972,400	15,462,477
1937–38	2,959,188	11,604,787	193,000	1,541,636	16,298,611
1938–39	1,405,499	13,708,847	—	−129,506	14,984,840
1939–40	1,882,493	9,190,681	−53,698	1,546,552	12,566,028
	26,378,036	88,931,823	26,025,500	34,503,762	175,839,121
Less Write-off as provided by votes 392 and 393 of further supplementary estimates, 1936–37	804,897	17,682,158	—	—	18,487,055
Less Write-off Sask. Treas. Bills *re* 1934–35 Drought Area relief assumed by Dominion. (Principal $1,250,000; Accrued int. previous yrs. $123,979.81)	—	1,373,980	—	—	1,373,980
	25,573,139	69,875,685	26,025,500	34,503,762	155,978,086

NET LOANS TO PROVINCES UNDER RELIEF ACTS CLASSIFIED AS TO PURPOSE

—	Loans Specifically to meet Maturing Obligations and Interest	Loans Specifically for Agricultural Relief, Including Purchase of Seed Grain	Loans for Provincial Purposes Generally Including Direct Relief and Public Works	Total
	$	$	$	$
Manitoba	1,139,455	234,819	25,003,762	26,378,036
Saskatchewan	3,934,341	15,509,871	69,487,611	88,931,823
Alberta	8,577,000	3,149,050	14,299,450	26,025,500
British Columbia	9,818,845	—	24,684,917	34,503,762
	23,469,641	18,893,740	133,475,740	175,839,121
Less write-offs as shown in the preceding table; Manitoba $804,897; Saskatchewan $19,056,138				19,861,035
				155,978,086

Canadian National Railways

35. In addition to paying the net income deficit of the Canadian National Railways, the Dominion made advances to the Railway for capital purposes amounting to $22,979,000, classified as follows:

Under Canadian National Railways Financing and Guarantee Act, 1939 (capital expenditures and retirement of miscellaneous obligations)	$12,443,000
Under Canadian National Railways Refunding Act, 1938	9,761,000
Construction of Senneterre-Rouyn Branch Line	325,000
Purchase of Trans-Canada Air Lines Capital Stock	450,000
	$22,979,000

A loan of $1,500,000 made in the fiscal year 1938-39 in anticipation of the passing of the 1939 budget of the Railway Company was repaid in the fiscal year ended March 31, 1940.

The Dominion purchased under authority of the War Measures Act and the War Appropriation Act appoximately $15,000,000 of railway equipment for the Canadian National Railways. As of the close of the fiscal year, equipment to the amount of $6,189,000 had been paid for and delivered. This equipment is being leased to the Railway Company under a hire-purchase agreement extending over a period of fifteen years.

The Railway Company paid the second instalment of $517,000 under the terms of a hire-purchase agreement relating to certain equipment purchased by the Government in 1935-36 and 1936-37 at a cost of $6,723,000 and leased to the Railway.

Other Loans and Investments

36. During the fiscal year the Government purchased a further $188,000 of the capital stock of the Canadian Farm Loan Board and an additional $2,100,000 of the Board's 3½% bonds. Capital stock in the amount of $11,000 was cancelled and written off. As at March 31, 1940, the total investment in the Canadian Farm Loan Board was $36,695,000.

37. In the fiscal year under review, 4,936 loans were approved under the National Housing Act in the amount of $21,924,000, bringing the total to March 31, 1940, to $52,553,000. During the year, the Dominion's share of loans actually paid out, less repayments by borrowers, was $4,393,000. The net amount of loans outstanding at the close of the fiscal year made under the authority of the National Housing Act and the Dominion Housing Act was $9,805,000. Loans under the National Housing Act are made jointly by the Government and approved lending institutions and are secured by first mortgage or hypothec, running jointly to the Government and an approved lending institution. Loans are normally made not in excess of 80% of the cost or appraised value of the completed property, whichever is the lesser. However, in the case of owner-occupied houses where the lending value does not exceed $2,500, a loan may be made up to 90% of the said lending value. Since January 1, 1940, new applications for loans are received only in respect of the construction of houses containing one self-contained dwelling place and where the loan does not exceed $4,000.

38. To March 31, 1940, the Government has approved loans to the amount of $5,272,000 under the Municipal Improvements Assistance Act, 1938, to municipalities to enable them to finance the construction of municipal self-liquidating projects. During the fiscal year under review, the amount actually paid out on such loans, less repayments, was $3,111,000. These loans bear interest at the rate of 2% per annum and are amortized over a period not longer than the estimated useful life of the project. The province in which the municipality is located is required to guarantee the payments for interest on and amortization of each loan.

39. There was advanced during the year $947,000 to the National Harbours Board for capital construction purposes at the ports of Montreal and Vancouver. As a considerable part of the interest accrued on the obligations issued by these two ports has been paid to the Government, these loans are carried as active assets on the books of the Dominion.

40. Loans to the Canadian Pacific Railway Company made in previous years for relief purposes were further reduced by $211,000. In addition, the Railway Company paid the second instalment of $441,000 under the terms of a hire-purchase agreement relating to certain equipment purchased by the Government in the fiscal years 1935–36 to 1937–38 at a cost of $5,730,000 and leased to the railway. Under the authority of the War Measures Act and the War

Appropriation Act, the Dominion purchased approximately $10,000,000 of railway equipment for the Canadian Pacific Railway Company. As at March 31, 1940, equipment to the amount of $2,904,000 had been paid for and delivered. This equipment is being leased to the Railway Company under a hire-purchase agreement extending over a period of fifteen years.

41. The Government purchased capital stock of the Central Mortgage Bank to the amount of $250,000. On November 13, 1939, it was announced that the Government had decided that the Central Mortgage Bank should not commence active operations for the time being. The existing state of war and the uncertainties regarding the effect which war might have on incomes and real estate values, made conditions so abnormal that the Government did not feel it would be practicable to make, with any degree of assurance, valuations that would provide an equitable and permanent basis for sound debtor-creditor relationships. There was the further consideration that the adjustments contemplated by the Act involved the use of the national credit on a substantial scale, and this also seemed undesirable in view of the very heavy present and prospective demands upon the national resources for war purposes.

42. There was advanced to the Canadian Broadcasting Corporation the sum of $750,000 for capital construction, mainly for two transmitting stations located in the maritime and prairie provinces. The corporation repaid $50,000 on account of a loan made in the fiscal year 1937-38.

43. During the fiscal year under review, the provinces of Manitoba, Nova Scotia and Prince Edward Island reduced by $699,000 loans granted by the Dominion in the post-war period for house construction. Loans for Soldier and General Land Settlement were reduced by payments of $1,116,000.

44. Investments in Sinking Funds amounted to $4,189,000. Stocks of other loans amounting to $6,987,000, held in the Sinking Fund of the 3½% 1930-50 Loan which was called for payment on April 17, 1940, were transferred to a bond holding account to be repurchased later for the Sinking Fund of other sterling issues. This resulted in Sinking Funds Account showing a net decrease for the year of $2,798,000.

45. The following statement shows the net changes in active investments during the last fiscal year together with comparable figures for the four preceding years:

LOANS AND INVESTMENTS, ACTIVE

(000 omitted)

——	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
Sinking Funds	3,636	3,646	3,843	4,336	Cr. 2,798
Canadian National Railways	3,689	4,573	Cr. 27,429	3,841	21,479
Canadian Pacific Railway	1,270	555	Cr. 211	Cr. 211	Cr. 211
Canadian Farm Loan Board	7,933	10,991	3,848	2,834	2,288
Dominion and National Housing Acts—Loans	82	995	1,678	2,657	4,393
Municipal Improvements Assistance Act, 1938—Loans	—	—	—	815	3,111
National Harbours Board	1,438	323	1,890	692	947
Provinces—under relief legislation	42,304	15,462	16,299	14,985	12,566
Provinces—Post War Housing Loans	Cr. 3,003	Cr. 2,038	Cr. 1,422	Cr. 105	Cr. 699
Railway Equipment purchased	7,244	5,120	89	Cr. 1,399	8,135
Soldier and general land settlement	Cr. 566	Cr. 489	505	Cr. 749	Cr. 1,116
Roumanian Government	—	—	359	—	—
Bank of Canada—Capital Stock	—	5,100	—	820	—
Central Mortgage Bank—Capital Stock	—	—	—	—	250
Canadian Broadcasting Corporation	—	—	500	Cr. 50	700
Canadian National (West Indies) Steamships	—	—	450	—	—
Net Advances	64,027	44,238	399	28,466	49,045

LOANS AND INVESTMENTS, ACTIVE—*Concluded*
(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
Less write-offs—					
Soldier and general land settlement loans	−488	−628	−750	−895	−1,643
Canadian Farm Loan Board—Capital Stock	—	−20	−10	−14	−11
Loans to Province of Saskatchewan—Drought Area Relief, 1934-35	—	—	—	—	−1,374
Write-down to non-active assets—					
Manitoba and Saskatchewan treasury bills	—	−18,487	—	—	—
Net change in active investments	63,539	25,103	Cr. 361	27,557	46,017

LOAN FLOTATIONS

46. In the fiscal year ended March 31, 1940, the Government issued obligations in the amount of $657,793,471. All these issues were floated in the Canadian market. Maturing obligations in the amount of $362,935,587 were redeemed out of the proceeds of the new issues, the remainder of the proceeds providing cash for the current purposes of Government.

47. The following table gives details of the amounts, terms and purposes of the new issues and the prices at which they were sold:

LOAN FLOTATIONS, 1939-40

Issue Date	Maturity Date	Interest Rate	Where Payable	Price		Yield at		Amount Issued	Issue Refunded	
				To Public	To Government*	Public Price	Price to Government		Amount	Interest Rate
1939		%		$	$	%	%	$	$	%
May 15..	May 15, 1942	1½	Canada	99·375	98·77	1·72	1·92	95,500,000	37,362,000 15,346,000	1 2
May 15..	June 1, 1958	3	Canada	98·50	97·71	3·10	3·16	39,000,000	1,690,500 30,101,500	2½ 4
July 1..	July 1, 1940	4	Canada (School Lands)	—	100·00	—	4·00	33,293,471	33,293,471	4
Oct. 16..	Oct. 16, 1941	2	Canada	—	100·00	—	2·00	200,000,000	2,638,000 4,654,000 6,242,500 99,425,979† 17,168,000	1 2 2½ 3½ 4
1940										
Feb. 1..	Feb. 1, 1948-52	3¼	Canada	100·00	99·216	3·27	3·36	250,000,000	75,013,637	3
Mar. 1..	Mar. 1, 1945	2	Canada	—	99·375	—	2·13	40,000,000	40,000,000	
								657,793,471	362,935,587	
Total amount issued for refunding purposes								362,933,587		
Total amount issued to provide new cash								294,857,884		
								657,793,471		

* Price to public, less commissions to dealers.
† Amount outstanding of 1930-50 3½% Registered Stock called for redemption on April 17, 1940, less amount held in sinking fund, converted at $4.86=£1.

48. During the fiscal year under review, the issue fortnightly of three months' treasury bills was continued. The last issue of treasury bills during the year ended March 31, 1940, was sold at a discount of ·747 per cent. The average cost to the treasury of funds obtained from the twenty-three offerings during the year was a discount basis of ·726 per cent. The amount of these

treasury bills outstanding at March 31, 1940, was $155,000,000 unchanged from the total outstanding at the close of the previous fiscal year.

49. As at March 31, 1940, the average rate of interest on the Dominion's outstanding direct funded debt (including treasury bills) was 3·40 per cent, as compared with 3·52 per cent on March 31, 1939.

NATIONAL DEBT

50. At the close of the fiscal year there was outstanding unmatured funded debt (including treasury bills) of the Dominion in the amount of $3,695,685,000. Of this total, securities in the amount of $67,196,000 were held in the sinking funds against certain issues payable in London. The remaining amount, $3,628,489,000, was outstanding in the hands of the public. Other liabilities, consisting chiefly of annuity, superannuation and insurance funds, Post Office Savings Bank deposits, and trust and contingent funds, were outstanding on the same date in an estimated aggregate amount of $332,888,000. Without deducting sinking funds now shown as an asset, the gross liabilities of the Dominion totalled $4,028,573,000. On the other side of its balance sheet, the Dominion had active assets of $757,593,000 representing cash on hand, sinking funds and active loans and investments. The net debt of the Dominion, the difference between the gross liabilities and the active assets, is therefore estimated at $3,270,980,000. The increase over the same date last year amounted to $118,421,000, namely, the amount of the over-all deficit for the fiscal year.

51. The following is a preliminary statement showing the liabilities and assets of the Dominion as estimated at March 31, 1940:—

LIABILITIES—MARCH 31, 1940

(estimated)

Bank Circulation Redemption Fund		$ 5,054,000
Post Office Money Orders, Postal Notes, etc., outstanding		2,787,000
Post Office Savings Bank deposits		23,100,000
Insurance and Superannuation Funds—		
Government Annuities	$ 140,042,000	
Insurance Fund—Civil Service	13,336,000	
Insurance Fund—Returned Soldiers	18,683,000	
Retirement Fund	9,827,000	
Superannuation Funds	60,887,000	
		242,775,000
Trust Funds—		
Indian Funds	14,298,000	
Common School Funds	2,677,000	
Contractors' Securities Deposits	2,114,000	
Other Trust Funds	3,126,000	
		22,215,000
Contingent and Special Funds		4,312,000
Province Debt Accounts		11,920,000
Funded Debt and Treasury Bills unmatured	3,695,685,000	
Floating Debt—		
Funded Debt matured and outstanding	2,465,000	
Interest due and outstanding	1,981,000	
Outstanding cheques	16,279,000	
		3,716,410,000
		$4,028,573,000

ASSETS—MARCH 31, 1940

(estimated)

Active Assets—		
Cash, working capital advances and other current assets		$ 186,742,000
Special Deposits		166,000
Sinking Funds		67,196,000
Bank of Canada Capital Stock		5,000,000
Central Mortgage Bank Capital Stock		250,000
Canadian Broadcasting Corporation—Loan		1,150,000
Canadian National (West Indies) Steamships, Ltd.—Loan		450,000
Dominion and National Housing Acts—Loans		9,805,000
Municipal Improvements Assistance Act, 1938—Loans		3,926,000
Loans to Provinces—		
Post War Housing Loans	$ 2,504,000	
Unemployment Relief Loans	155,978,000	
Alberta—Subsidy Overpayment	469,000	
		158,951,000

ASSETS—MARCH 31, 1940—*Concluded*

(estimated)

Loans to National Harbours Board—		
Montreal	61,698,000	
Vancouver	25,032,000	
		86,730,000
New Westminster Harbour Commission—Loan		275,000
Canadian Farm Loan Board—Advances and Capital Stock		36,695,000
Railway Accounts—		
Canadian National Railways—		
Advances—Financing and Guarantee Act, 1938	1,717,000	
Advances—Refunding Act, 1938	24,689,000	
Advances—Financing and Guarantee Act, 1939	12,443,000	
Senneterre-Rouyn Railway Line	639,000	
Trans-Canada Air Lines	550,000	
		40,038,000
Canadian Pacific Railway—		
Loan for betterment or repair of railway equipment	970,000	
Loan for wages on special works program	222,000	
		1,192,000
Purchase of equipment leased to—		
Canadian National Railways	11,878,000	
Canadian Pacific Railway	7,311,000	
		19,189,000
Loans to Foreign Governments—		
Greece	6,525,000	
Roumania	24,329 000	
		30,854,000
Soldier and General Land Settlement Loans		37,830,000
Seed Grain and Relief Advances		2,434,000
Canadian Government Railways Working Capital		16,772,000
Bond Holding Account		6,657,000
Province Debt Accounts		2,296,000
Deferred Debits—		
Unamortized discount and commission on loans		42,075,000
		$ 757,593,000
Net Debt, March 31, 1940 (estimated)		$3,270,980,000

Net Debt represented by—

A. Expenditure and non-active assets (estimated) March 31, 1940.

Capital Expenditures—		
Public Works—		
Canals	$ 240,316,000	
Railways	429,587,000	
Public Buildings, harbour and river improvements	299,029,000	
Military property and stores	12,057,000	
Territorial Accounts	9,896,000	
		$ 990,885,000
Loans, non-active—		
Canadian National Railways Securities Trust Stock		264,013,000
Canadian National Railways Stock		18,000,000
Canadian National Steamships		13,872,000
Canadian Pacific Railway (old)		62,791,000
National Harbours Board—		
Quebec	$ 27,365,000	
Chicoutimi	3,838,000	
Churchill	9,000	
Halifax	12,291,000	
Saint John	16,448,000	
Three Rivers	3,743,000	
Montreal (Jacques Cartier Bridge)	4,049,000	
		67,743,000
Seed Grain and Relief Advances		450,000
Soldier and General Land Settlement		16,526,000
Saskatchewan Seed Grain Loans Guarantee Act, 1936		2,638,000
Miscellaneous Advances		3,536,000
B. Consolidated Fund—		
Balance, consolidated fund brought forward from Mar. 31, 1939	1,702,494,000	
Excess of expenditure over revenue, fiscal year ended Mar. 31, 1940 (estimated)	128,032,000	
		1,830,526,000
		$3,270,980,000

52. The following table gives a statement of the unmatured funded debt (including treasury bills) of the Dominion outstanding as at March 31, 1940 and the annual interest charges thereon:

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1940, AND ANNUAL INTEREST CHARGES

Date of Maturity	Rate per cent	Where Payable	Amount of Loan	Annual Interest Charges
			$ cts.	$ cts.
1940, June 1	1½	Canada	80,000,000 00	1,200,000 00
July 1	4	Canada	33,293,470 85	1,331,738 83
Sept. 1	4½	Canada	75,000,000 00	3,375,000 00
1941, Mar. 15	1	Canada	45,000,000 00	450,000 00
May 1	1¼	New York	20,000,000 00	250,000 00
Oct. 16	2	Canada	200,000,000 00	4,000,000 00
Nov. 15	5	Canada	141,663,000 00	7,083,150 00
1942, May 15	1½	Canada	95,500,000 00	1,432,500 00
June 1	2	Canada	60,000,000 00	1,200,000 00
Oct. 15	3	Canada	40,409,000 00	1,212,270 00
1943, June 1	2½	Canada	20,000,000 00	500,000 00
Oct. 15	5	Canada	147,000,100 00	7,350,005 00
1944, Jan. 15	2¼	New York	30,000,000 00	675,000 00
June 1	2	Canada	90,625,000 00	1,812,500 00
Oct. 15	4½	Canada	50,000,000 00	2,250,000 00
Nov. 15	2½	Canada	20,000,000 00	500,000 00
1945, Mar. 1	2	Canada	40,000,000 00	800,000 00
Aug. 15	2½	New York	76,000,000 00	1,900,000 00
Oct. 15	4	Canada	88,337,500 00	3,533,500 00
1946, Feb. 1	4½	Canada	45,000,000 00	2,025,000 00
1947, Oct. 1	2½	London	4,888,185 64	122,204 64
1948, Feb. 1	3¼	Canada	50,000,000 00	1,625,000 00
1949, Feb. 1	3¼	Canada	50,000,000 00	1,625,000 00
June 1	3¼	Canada	33,500,000 00	1,088,750 00
Oct. 15	3½	Canada	138,322,000 00	4,841,270 00
1950, Feb. 1	3¼	Canada	50,000,000 00	1,625,000 00
July 1	3½	London	*52,763,135 43	1,846,709 74
1951, Feb. 1	3¼	Canada	50,000,000 00	1,625,000 00
Nov. 15	3¼	Canada	60,000,000 00	1,950,000 00
1952, Feb. 1	3¼	Canada	50,000,000 00	1,625,000 00
May 1	5	New York	100,000,000 00	5,000,000 00
Oct. 15	4	Canada	56,191,000 00	2,247,640 00
1955, May 1	3¼	London	48,666,666 67	1,581,666 67
June 1	3	Canada	40,000,000 00	1,200,000 00
June 1	3	Canada	55,000,000 00	1,650,000 00
1956, Nov. 1	4½	Canada	43,125,700 00	1,940,656 50
1957, Nov. 1	4½	Canada	37,523,200 00	1,688,544 00
1958, June 1	3	Canada	88,200,000 00	2,646,000 00
Sept. 1	4	London	73,000,000 00	2,920,000 00
Nov. 1	4½	Canada	276,687,600 00	12,450,942 00
1959, Nov. 1	4½	Canada	289,693,300 00	13,036,198 50
1960, Oct. 1	4	London	93,926,666 66	3,757,066 67
Oct. 1	4	New York	100,000,000 00	4,000,000 00
1961, Jan. 15	3¼	New York	48,000,000 00	1,560,000 00
1963, July 1	3¼	London	48,666,666 66	1,581,666 67
1966, June 1	3¼	Canada	54,703,000 00	1,777,847 50
Perpetual	3	Canada	55,000,000 00	1,650,000 00
1967, Jan. 15	3	New York	55,000,000 00	1,650,000 00
1968, Nov. 15	3	New York	40,000,000 00	1,200,000 00
Treasury Bills due April 1, 1940	·788	Canada	25,000,000 00	197,000 00
Treasury Bills due April 15, 1940	·784	Canada	30,000,000 00	235,200 00
Treasury Bills due May 1, 1940	·752	Canada	25,000,000 00	188,000 00
Treasury Bills due May 15, 1940	·746	Canada	25,000,000 00	186,500 00
Treasury Bills due May 31, 1940	·751	Canada	25,000,000 00	187,750 00
Treasury Bills due June 14, 1940	·747	Canada	25,000,000 00	186,750 00
			3,695,685,191 91	125,574,026 72

Payable in Canada	2,904,773,870 85	78·60%
Payable in New York	469,000,000 00	12·69%
Payable in London	321,911,321 06	8·71%
	3,695,685,191 91	100%

* Called for payment April 17, 1940.

INDIRECT LIABILITIES

53. Bonds and debenture stocks bearing the guarantee of the Dominion outstanding in the hands of the public at March 31, 1940, amounted to $1,084,479,000, a decrease of $987,000 during the fiscal year.

54. There were also outstanding on March 31, 1940, other contingent liabilities arising out of guarantees given under Relief and Seed Grain legislation and other Acts. There were no new guarantees incurred during the last fiscal year.

During the fiscal year under review an amount of $52,000,000 was advanced without interest to the Canadian Wheat Board to enable the Board to pay off guaranteed bank advances with respect to the marketing of the 1938 Wheat Crop. The guaranteed bank loans to the Board outstanding at the close of the fiscal year amounted to $42,998,000. This amount constituted the Board's gross liability to the banks at the close of the fiscal year and mainly related to the purchase of the 1939 Wheat Crop at the fixed price of 70 cents per bushel No. 1 Northern, Fort William. The guarantee of the Dominion to the Winnipeg Grain and Produce Clearing Association Limited, referred to in previous budgets, is still outstanding. No liability accrues from day to day in connection with the guarantee as margin deposits are made to the Clearing Association daily.

At March 31, 1940, 102,365 Home Improvement Loans had been made by banks and approved lending institutions to home owners in the amount of $41,110,000. Repayments to the same date on account of these loans amounted to $24,068,000, or over 58 per cent of the total amount of loans made. The Dominion's contingent liability arising out of these loans is limited to 15 per cent of the aggregate of such loans made by each approved lending institution. As 288 loss claims for $86,922 have been paid, the maximum contingent liability as at March 31, 1940, was $6,079,595. In terms of dollar losses to total volume of loans, this loss ratio is only approximately $\frac{1}{5}$ of 1 per cent.

Under the Dominion Housing Act, 1935, and the National Housing Act, 1938, the Dominion has accepted and is accepting certain obligations arising out of its contracts with approved lending institutions which, while not expressed in the form of a guarantee, may nevertheless be regarded as contingent or indirect liabilities.

The manner in which losses in respect of any loan are to be borne by the Dominion and the lending institution is fixed by the contract. The general principle is that the Dominion bears two-thirds of the loss if at the time the loss is sustained the principal amount of the loan repaid, less any other amounts due, is equal to or less than the amount advanced by the Dominion and one-third of the loss if at the time the loss is sustained the principal amount repaid, less any other amounts due, is more than the amount advanced by the Dominion. In the case of small loans (that is, for amounts not in excess of $4,000 in the case of a single dwelling place or not in excess of $700 per habitable room in the case of a multiple family dwelling), the share of the loss to be borne by the Dominion is not more than 80 per cent and not less than 50 per cent of the loss. The above provisions apply to loans made under both the present National Housing Act and its predecessor, the Dominion Housing Act. Under the National Housing Act a new provision has been added to encourage the making of small loans in such small or remote communities and in such districts of other communities as may be designated by the Minister of Finance in any contract. In respect of such loans, the Dominion has agreed in contracts with certain lending institutions to pay losses sustained by any such lending institution up to certain amounts determined by the contract which are not less than 7 per cent and do not exceed 25 per cent of the total amount of such loans made in such areas by the lending institution.

Order in Council, dated December 5, 1939, provided that after January 1, 1940, applications would be received only for loans for the construction of houses containing one self-contained dwelling place and where the loan does not exceed $4,000.

Loans to the number of 15,054 had been approved at March 31, 1940, under the Dominion Housing Act, 1935, and the National Housing Act, 1938, and in the amount of $52,553,000. No losses had been realized by the Dominion as of that date.

55. The following is a statement of bonds and debenture stocks and other indebtedness guaranteed by the Dominion outstanding as at March 31, 1940:

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE DOMINION GOVERNMENT AS AT MARCH 31, 1940

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	$
Jan. 15, 1942	Canadian National	2	20,000,000 00
Feb. 15, 1943	Canadian National	2	55,000,000 00
Feb. 1, 1944	Canadian National	2¼	15,500,000 00
May 1, 1944	Canadian National	3	35,000,000 00
Jan. 15, 1946	Canadian National	2¼	15,000,000 00
July 1, 1946	Canadian Northern	6½	24,238,000 00
April 1, 1948	New Westminster Harbour Commissioners	4¾	700,000 00
Dec. 15, 1950	Canadian National	3	50,500,000 00
Sept. 1, 1951	Canadian National	4½	50,000,000 00
Feb. 1, 1952	Canadian National	3	20,000,000 00
Aug. 1, 1952	Saint John Harbour Commissioners	5	667,953 04
Feb. 15, 1953	Canadian National	3	25,000,000 00
July 10, 1953	Canadian Northern	3	9,359,996 72
Feb. 1, 1954	Canadian National	5	50,000,000 00
Mar. 1, 1955	Canadian National (West Indies) Steamships Limited	5	9,400,000 00
June 15, 1955	Canadian National	4¾	50,000,000 00
Feb. 1, 1956	Canadian National	4½	70,000,000 00
July 1, 1957	Canadian National	4½	65,000,000 00
July 20, 1958	Canadian Northern	3½	7,896,541 81
Jan. 15, 1959	Canadian National	3	35,000,000 00
May 4, 1960	Canadian Northern Alberta	3½	3,149,998 66
May 19, 1961	Canadian Northern Ontario	3½	34,229,996 87
Jan. 1, 1962	Grand Trunk Pacific	3	34,992,000 00
Jan. 1, 1962	Grand Trunk Pacific	4	8,440,848 00
July 1, 1969	Canadian National	5	60,000,000 00
Oct. 1, 1969	Canadian National	5	60,000,000 00
Nov. 1, 1969	Harbour Commissioners of Montreal	5	19,000,000 00
Feb. 1, 1970	Canadian National	5	18,000,000 00
By drawings	Canadian National	2	21,401,371 07
Various dates 1940-54	City of Saint John Debentures assumed by Saint John Harbour Commissioners	Various	795,384 78
Perpetual	Grand Trunk Guaranteed Stock	4	60,833,333 33
do	Grand Trunk Debenture Stock	5	20,782,491 67
do	Great Western Debenture Stock	5	13,252,322 67
do	Grand Trunk Debenture Stock	4	119,839,014 33
do	Northern Railway of Canada Debenture Stock	4	1,499,979 67
			$ 1,084,479,232 62

OTHER LIABILITIES GUARANTEED

	Principal Amount Outstanding Mar. 31, 1940
Bank Advances, *re* Province of Manitoba Savings Office	$ 6,491,173
Bank Advances, *re* Government of Newfoundland	625,000
Province of Manitoba Treasury Bill	4,809,266
Province of British Columbia Treasury Bill	626,534
Bank Advances, *re* Canadian Wheat Board	42,998,100
Winnipeg Grain and Produce Clearing Association, Ltd. Day to day margins of the Canadian Wheat Board (closed out daily)	— —
Bank Advances guaranteed under Seed Grain Loans Guarantee Act, 1937	6,891,858
Bank Advances guaranteed under Seed Grain Loans Guarantee Act, 1938	not determined
Loans made by approved lending institutions under Dominion Housing Act, 1935 and National Housing Act, 1938	indeterminate
Loans made by approved lending institutions under The Home Improvement Loans Guarantee Act, 1935	6,079,595
Deposits maintained by the chartered banks in the Bank of Canada	202,324,405

B. REVIEW OF ECONOMIC AND FINANCIAL CONDITIONS, 1939-40

1. The following tables and related paragraphs present a comprehensive survey of general economic conditions in Canada during the past year. For purposes of comparison figures for certain earlier years are also provided, and in the case of the more important factors statistics on a monthly basis are given covering the last two fiscal years.

The figures used throughout are those published by the Dominion Bureau of Statistics, unless otherwise indicated. Where an index or average figure is given for a fiscal, rather than a calendar year, it represents an average of the monthly data during the period concerned. All indexes shown as based on the year 1926 are to be construed as based on the calendar year 1926, and not the fiscal year.

A change this year in the method of compiling trade statistics at the end of the fiscal year has artificially decreased the March trade figures and artificially increased those of April, so that a valid comparison of either month with the same month in any previous year has been made impossible. This change not only affected directly the comparability of the trade statistics but influenced indirectly as well the index of the physical volume of business, many of the components of which utilize imports and exports of certain commodities as indicators of current business activity. To facilitate an accurate comparison of recent trends, therefore, in the following tables the figures for March and April of both the current and the preceding year have been averaged throughout, in the case not only of factors affected by the trade statistics, but, in order to provide comparable data, of other factors as well. In the text this average will be termed the March-April figure.

In the case of averages for the fiscal year ended March 31, 1940, no attempt has been made to adjust the March figures which have been artificially lowered by the change in the trade statistics, so that in all statistics affected by trade figures the average for the last fiscal year is slightly lower than it would have been if calculated on a basis comparable with previous years. This artificial reduction might amount to about one, two or three per cent in the annual figures.

CANADIAN ECONOMIC CONDITIONS

SUMMARY TABLES

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Group I.—Comprehensive Indexes (1926=100)									
Physical volume of business	101·9	122·1	74·8	115·2	120·8	113·8	126·9	114·9	137·0
Volume of manufacturing	101·1	117·5	70·8	117·6	119·8	108·4	125·6	108·5	132·8
Mining	103·0	121·1	104·2	166·5	196·0	194·8	217·6	208·1	252·2
Forestry	99·7	104·3	64·2	131·8	130·3	106·5	125·6	115·3	135·5
Carloadings	102·6	112·5	63·8	77·9	79·9	72·8	80·5	70·5	79·0
Electric power output	104·7	136·6	132·4	218·0	229·0	220·9	239·9	229·7	243·0
Employment	100·8	113·7	84·4	104·4	115·7	110·8	115·8	111·0	118·3
National income†	100·0	114·3	64·4	85·1	97·3	94·1	101·9	.....	.....
Dollar value of retail sales† (1930=100)	93·2	110·1	66·8	74·0	78·6	77·5	79·8	.....	.....
Group II.—Price Levels and Financial Factors (1926=100)									
Wholesale prices	98·8	95·8	65·5	77·2	84·6	76·0	77·8	73·3	83·2
Farm Product Prices	99·1	99·1	46·3	75·6	86·3	68·6	65·8	65·3	71·7
Cost of living	99·6	98·9	79·9	81·2	83·6	83·9	84·1	83·1	85·6
Common stock prices	101·8	173·3	52·1	125·5	117·6	103·8	99·4	99·9	98·0
Dominion Government bond prices	100·4	102·4	100·8	117·9	115·2	118·1	115·1	119·2	114·4
Dividend payments	101·8	123·7	79·9	112·9	139·0	143·4	129·2	136·1	124·7
Bank deposits	101·0	116·1	98·5	116·4	122·1	127·0	137·7	129·9	140·1
Active currency circulation	101·0	105·4	75·9	102·3	111·1	113·4	126·7	114·5	137·4

†Nearest calendar year.

	Calendar Years					
	1926	1928	1932	1937	1938	1939
	(Millions of Dollars)					
Group III.—Gross Value of Production in Major Industries						
Agriculture	1,714·5	1,806·0	766·8	1,039·5	1,062·6	1,170·9*
Forestry	555·8	586·2	349·3	494·3	425·0	484·8*
Fisheries	73·1	70·7	33·7	51·2	53·2	55·8*
Mining (inc. Smelting)	276·8	313·1	265·0	662·6	653·8	685·3*
Construction	385·9	488·4	132·9	351·9	353·2	354·9*
Manufacturing	3,100·6	3,582·3	1,980·5	3,625·5	3,337·7	3,613·8*
Group IV.—Foreign Trade and International Transactions‡						
Merchandise exports (all gold excluded)	1,276·6	1,363·6	497·9	1,012·1	848·7	935·9
Net exports of non-monetary gold†	30·4	40·1	70·0	145·1	160·5	184·4
Total exports, including non-monetary gold	1,307·0	1,403·7	567·9	1,157·2	1,009·2	1,120·3
Merchandise imports (all gold excluded)	1,008·3	1,222·3	452·6	808·9	677·5	751·0
Total trade	2,315·3	2,626·0	1,020·5	1,966·1	1,686·7	1,871·3
Export balance	+298·7	+181·4	+115·3	+348·3	+331·7	+369·3
Net tourist receipts	102·5	167·7	155·0	166·2	159·9	166·0
Net interest and dividend payments going abroad	201·0	221·0	261·8	246·2	251·0	260·8
Net capital export (direct estimate)	††	82·0	11·4	198·8	135·0	162·1

* Preliminary estimate. Certain of these figures have not yet appeared in official publications, or represent revisions of previously published figures.

‡ It should be noted that the export and import figures given in the table above, which have been compiled from official trade returns, differ slightly from the adjusted figures used in making up the Balance of International Payments. In the remaining part of the table certain less important items in the Balance of Payments have not been detailed.

† Adjusted for earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

†† Not available.

PHYSICAL VOLUME OF BUSINESS

2. The index for the physical volume of business in Canada is the most comprehensive single measure of the level of general economic and business activity. It is made up by the Dominion Bureau of Statistics from 46 constituent items weighted according to their relative importance in the economy as a whole, and is adjusted for seasonal fluctuations. Included in the making of this index are such items as mineral production, manufacturing in its chief branches, construction, electric power output, trade employment, carloadings, imports and exports. Agricultural production as such does not find a place in this index, nor do fishing and lumbering as primary activities, but the processing of and trade in the products of these industries is reflected in the index. Correction is made, where necessary, for changes in the price factor in order that the index shall properly record only changes in the *physical* volume of business done. 1926 is taken as the base year. Following are presented the index numbers for each fiscal year since 1927 and the index for each month in the last two fiscal years.

INDEX OF PHYSICAL VOLUME OF BUSINESS

(1926=100)

Fiscal Years ended March 31													
1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
101·9	108·0	122·1	122·0	105·4	89·3	74·8	84·9	96·4	104·4	115·2	120·8	113·8	126·9

MONTHLY INDEX*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	112·4	110·7	108·4	109·1	110·5	119·2	118·6	123·4	115·6	113·0	111·7	114·9
1939-40.....	116·7	121·4	121·4	120·5	125·2	125·8	133·1	133·0	133·3	138·6	131·2	137·0

* Seasonally adjusted.

The recovery from the depressed level of business activity of 1938 which had become evident in the early months of 1939 continued throughout the year and was accelerated by the outbreak of war in September. Each month in the past fiscal year was considerably above the corresponding month in the year previous, and the average for 1939–40 of 126·9 was about 11·5% above that of 1938–39. The March-April figure for 1940 was 19·2% higher than that for 1939, and has only been exceeded in one month in 1929, and in January of this year.

It may be of interest to compare this expansion of 19·2% in the physical volume of business with the expansion in employment in all industries of about 6·6% between March-April, 1939, and March-April, 1940. This suggests that the increased production has been achieved in considerable degree by a reduction in part-time work.

AGRICULTURE

3. The gross value of agricultural production in 1939 increased by about 10% over the previous year and reached the highest level since 1930. In general, it was a year of good crops, but of low prices. The wheat crop of 490 million bushels was the second largest in our history. In quality it was about normal, though relatively highly concentrated in No. 1 Northern grade. The area of poor crops

was very much reduced from preceding years. The average price received by the farmer at the farm for his 1939 wheat, up to December 31, has been estimated at 52c. a bushel compared with a revised figure of 59c. for the 1938 crop.

One of the most outstanding features of Canadian agriculture in the past year has been the great increase in hog production and marketings since the summer of 1939. Hog marketings in the eight months from September to April amounted to 3,213,373 compared with 2,244,765 in the eight months a year before. Indications are that hog production and marketings in 1940 will be the largest recorded in the history of the industry. Hog prices declined during the spring of 1939, and during the summer months were lower than in the previous two years. They rose during the fall months and were fairly well stabilized during the first three months of this year under the operation of the Bacon Agreement with the United Kingdom, but they have weakened in recent months as a surplus of hog products has accumulated, and in April were below the levels of the past three years.

Among the branches of agriculture most affected by the war is that of apple production, since exports of apples to British and foreign markets have been severely curtailed. The apple crop of 1939 was a very large one, exceeded only by 1933 in the last fourteen years, but the average value received per unit fell to a level lower than that for any year of the same period and, consequently, the total value of the crop was much below that of recent years. The Dominion Government provided assistance in the marketing of the apple crop, including special arrangements for processing apples in Nova Scotia which is more dependent than other regions upon the export market.

It will be noted in the table below that the general index of farm prices in March-April of 1940 had increased by about 10% over the level of a year before.

GROSS VALUE OF AGRICULTURAL PRODUCTION

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939*
All Agricultural Production	1,714·5	1,806·0	766·8	1,039·5	1,062·6	1,170·9
Wheat	442·2	451·2	154·8	184·7	211·3	252·8
All other field crops	662·8	673·8	297·7	371·5	338·8	381·3
Dairy products	277·3	297·6	159·1	215·6	226·2	217·7
Live stock	178·4	197·9	65·2	141·0	136·8	170·8
Poultry and eggs	83·6	106·7	42·1	51·8	53·7	55·5
Fruit and vegetables	43·1	48·8	32·2	41·8	57·1	55·9
Tobacco	7·4	6·8	6·1	17·1	20·3	19·2
All other agriculture	19·7	23·2	9·6	16·0	18·4	17·7

* Subject to revision.

GENERAL INDEX OF FARM PRICES

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	82·5	77·3	76·6	71·4	64·1	63·8	63·8	64·9	64·6	64·8	64·7	65·3
1939-40	65·5	65·2	63·3	62·7	58·4	64·2	64·5	65·1	69·1	70·0	70·3	71·7

* Seasonally adjusted.

MINING

4. The past year has seen production and employment in the mineral industry expand to new record levels. Gold mining continues to be the largest element and the volume of gold produced in the fiscal year 1939–40 showed an increase of about 5·8% over the previous year, while the value of the production has, of course, been increased since September by the higher price received in Canadian dollars. Production of copper, nickel and zinc was larger in each case than in any previous year, but the value of this production was not as great as in 1937 because prices were lower than in that year. Contracts were made between the major Canadian base metal producers and the United Kingdom Ministry of Supply, providing for the sale of the bulk of the Canadian export surplus of copper, lead and zinc at prices approximately equal to those prevailing immediately before the outbreak of war.

Iron ore production commenced again in Canada in 1939 after a lapse of 16 years. Development is also proceeding rapidly to bring into production the high grade iron ore deposit at Steep Rock Lake.

Petroleum production in Alberta continued to expand though subject to pro-rationing because of the limited market available in the Western Provinces. 34 new wells were brought into production in Turner Valley in 1939. Coal production in 1939 was also increased by 8·6% over the previous year, most of the increase occurring in Nova Scotia, and in the first four months of this year production shows an increase of 26½% over the same months of last year.

Employment in mining continued to expand despite a slight set-back during the early winter. The March-April figure this year shows an increase of 4·2% over that of a year ago.

VALUE OF MINERAL PRODUCTION

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939†
Value of All Minerals	240·4	275·0	191·2	457·4	441·8	473·1
Gold	36·3	39·1	71·5	143·3	166·2	184·1
Copper	17·5	28·6	15·3	68·9	56·6	60·9
Nickel	14·4	22·3	7·2	59·5	53·9	50·9
Lead	19·2	15·6	5·4	21·1	14·0	12·3
Zinc	11·1	10·1	4·1	18·2	11·7	12·1
Silver	13·9	12·8	5·8	10·3	9·7	9·4
Coal	59·9	63·8	37·1	48·8	44·0	48·3
Petroleum	1·3	2·0	3·0	5·4	9·2	10·4
All others	66·8	80·7	41·8	81·9	76·5	84·7

† Preliminary.

PHYSICAL VOLUME OF MINERAL PRODUCTION

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	212·7	199·4	176·6	192·1	198·6	202·1	201·4	206·6	183·1	176·8	190·9	208·1
1939-40	219·6	232·7	228·9	238·5	233·2	223·2	194·2	236·7	202·4	215·6	200·9	252·2

* Seasonally adjusted.

EMPLOYMENT IN MINING

Monthly Index*
(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	156·6	155·0	156·7	156·7	154·4	156·2	156·4	156·5	157·2	159·1	160·7	163·3
1939-40	162·9	161·3	164·1	166·4	166·4	166·7	165·7	163·8	164·9	163·4	168·6	170·1

* Seasonally adjusted as at first of month.

FORESTRY

5. The volume and value of forestry production in the past fiscal year, and in the calendar year 1939, have shown substantial increases over the preceding year. This was true for some months before the outbreak of war, as well as after it.

Newsprint production has increased markedly during the war period due to a greater demand in the United States and to the shutting off of Scandinavian supplies from world markets. In the first eight months of war newsprint production was 15·3% above the same period a year before, and for May the industry reports production of 323,563 tons, which is a new high record, and 29·6% above May of last year.

Lumber production has also been stimulated by wartime requirements, though not as yet to the same degree as newsprint production. Lumbering in Eastern Canada has been favoured relatively to that in British Columbia due to the greater availability of Atlantic shipping for export. About 10% more lumber was scaled in British Columbia from September to April than in the same period in the previous year. The index of lumber and timber prices during the war period has averaged about 12% above the year before.

It will be noted in the table below that improved employment in logging reflects the much better market for forestry products in the past year.

FORESTRY PRODUCTS

(Millions of Dollars)

—	Calendar Years					
	1926	1928	1932	1937	1938	1939
Gross Value of All Forestry Products	555·8	586·2	349·3	494·3	425·0	484·8†
Newsprint (in above)	121·1	144·1	85·5	126·4	107·1	120·0†
Planks and boards exported	61·9	47·7	12·6	45·4	35·9	48·8
Wood pulp exported	52·1	45·6	18·9	41·8	27·7	31·0

† Preliminary.

PHYSICAL VOLUME OF FORESTRY PRODUCTION

Monthly Index*
(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	100·4	91·9	96·7	101·4	102·2	110·2	107·1	112·8	111·7	120·7	111·6	115·3
1939-40	120·2	112·6	120·6	114·2	126·4	130·7	139·3	128·7	127·6	142·4	125·4	135·5

*Seasonally adjusted.

LOGGING EMPLOYMENT

Monthly Index*
(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	146·1	135·8	121·9	121·1	90·4	89·5	91·0	105·3	114·8	103·9	98·4	84·4
1939-40.....	81·3	71·0	126·4	134·0	111·5	92·1	133·5	166·2	181·9	164·1	156·4	129·2

* Seasonally adjusted index as at first of month.

FISHERIES

6. The Atlantic deep sea catch in 1939 was about 5% greater than in 1938, but prices were lower due to a slackening in European demand so that the value of the catch was only about 2½% higher. So far in 1940 events in Europe have kept changing the market situation, but during the early months of the year prices have been slightly higher than before the war. The normal export market for canned lobster has now been cut off by war restrictions and the Dominion Government has made provision for assisting in the disposal of the lobster catch. The British Columbia salmon pack in 1939 was somewhat smaller than the year before and of lower quality, but it was all marketed despite the war at somewhat higher prices than in the preceding year. The halibut catch this spring has been larger than last year, and prices received are slightly better.

FISHERIES

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939
Gross Value of Production.....	73·1	70·7	33·7	51·2	53·2	55·8†
Salmon marketed (in above).....	19·6	17·9	8·0	12·3	15·0	15·3†
Value of fish exported.....	36·0	36·3	18·5	28·0	25·6	28·0

†Preliminary.

MANUFACTURING

7. Production and employment in manufacturing have shown a substantial and general increase during the past fiscal year, and the average level of the production index for the year as a whole was higher than any year in the past. Activity in manufacturing increased very quickly after the outbreak of war, apparently reached an all-time peak in January and then receded slightly in the next two or three months. Unofficial information indicates that the expansion was resumed in May. The March-April figures for 1940 compared with those for 1939 show an expansion of 22·4% in production and 14·9% in employment in manufacturing as a whole.

Among the various manufacturing industries the most marked expansion has taken place in textiles for which the production index in March-April this year was more than double that of a year before. Many textile factories are now reported to be working at capacity. Steel production shows an expansion during the year of nearly 60%. Much of this increase took place before the outbreak of war but was due in part to British armament demands. The expansion in food manufacturing reflects in part the increased exports of flour and bacon and also the increased domestic consumption of foodstuffs such as that of sugar.

Production in the automobile industry showed little change for the last fiscal year as a whole compared with the preceding one, and the figures for March-April are only about 5% above those a year before. Restrictions imposed in export markets have offset the increased domestic sales of cars and the military demand for motor transports. Since the middle of March the Canadian automobile industry has received a number of substantial orders for military vehicles, however, and production in May reached a figure which was some 35% above May of last year and represented the largest volume in any month since June, 1937.

INDEXES OF PHYSICAL VOLUME OF MANUFACTURING*

(1926=100)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Manufacturing of All Kinds	101·1	117·5	70·8	117·6	119·8	108·4	125·6	108·5	132·8
Selected Industries—									
Foodstuffs	100·0	97·1	83·4	105·8	101·8	102·2	117·0	105·7	128·0
Tobacco	102·3	138·2	107·1	153·9	178·3	178·1	189·1	176·9	205·1
Boots and shoes	101·5	97·7	84·0	108·4	114·2	110·3	135·8	108·6	119·7
Textiles	101·6	103·4	71·9	123·3	128·4	108·9	152·7	104·9	226·3
Steel production	104·5	169·0	40·4	150·8	178·2	139·1	206·7	134·2	213·4
Automobile production	100·7	145·2	26·9	98·8	93·1	77·2	79·1	70·2	73·6
Crude petroleum (imports)	104·7	146·6	138·4	208·1	221·3	207·3	217·3	183·4	186·0

*Seasonally adjusted.

PHYSICAL VOLUME OF MANUFACTURING PRODUCTION

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	103·2	104·7	103·5	101·3	100·9	114·2	113·2	125·3	111·3	111·1	105·0	108·5
1939-40	109·5	113·3	112·9	112·3	116·5	121·3	143·7	136·9	136·9	146·8	134·2	132·8

* Seasonally adjusted.

EMPLOYMENT IN MANUFACTURING

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	111·7	109·7	110·2	109·5	107·5	110·6	109·0	109·9	111·3	111·3	110·0	108·6
1939-40	108·0	107·5	109·4	109·1	110·3	112·1	116·0	121·0	123·6	126·1	125·0	124·8

* Seasonally adjusted as at first of month.

CONSTRUCTION

8. Total construction during the fiscal year 1939-40, as indicated by contracts awarded, showed a small increase over the preceding year. This increase appeared both in residential and in other construction. In the period May to August preceding the war there was evidence of a recovery in private construction, both residential and business, and total contracts in this period had recovered half the ground lost in the recession from 1937 to 1938. After

the outbreak of war there was a falling off in contracts other than residential, and some decline in residential contracts. Contracts for business and industrial construction began to increase about the end of the year and by March all major types of construction were showing substantial increases over the previous year. Total figures for the three months ending May 31 have not been exceeded since 1931, and this is true as well for all the major categories of construction except engineering work where in 1937 these three months showed a high figure.

During the fiscal year 1939-40 loans approved under the National Housing Act showed a substantial increase and reached a total of nearly $22,000,000 which was equal to almost a third of the value of all contracts awarded for residential construction during that year. Early in December it was announced that, in order to conserve the financial resources of the Dominion, loans under Part I of the Act would be restricted to a maximum of $4,000, and to single family houses, for applications received after December 31, 1939, and that the assistance by way of tax payment benefits under Part III of the Act would be restricted to buildings commenced before May 31, 1940. One effect of this announcement was to produce a rush of applications in December, and this shows up in the high figures for loans approved in January and February notable in the table below. Loans under the Home Improvement Plan have continued to increase and all months in the last fiscal year have shown increases over the corresponding months in the preceding year.

CONTRACTS AWARDED

(Millions of Dollars)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Total Contracts Awarded	380·8	500·2	104·3	161·9	218·8	188·6	191·9	10·6	18·8
Residential	111·0	137·4	26·0	49·6	54·1	63·0	64·5	4·7	4·9
All other	269·8	362·8	78·3	112·3	164·7	125·6	127·4	5·9	13·9

MONTHLY INDEX OF CONTRACTS AWARDED*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	65·3	53·2	53·1	53·8	55·7	54·1	55·2	50·4	74·8	45·6	69·1	53·6
1939-40	54·3	53·0	64·1	56·2	64·9	52·9	42·6	41·7	64·8	53·0	68·4	87·1

* Seasonally adjusted.

LOANS APPROVED UNDER NATIONAL HOUSING ACT*

(Thousands of Dollars)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
1935-36	—	—	—	—	—	—	214	152	159	142	89	48	804
1936-37	432	281	698	690	518	424	372	301	450	407	317	506	5,396
1937-38	865	821	919	1,049	753	551	742	636	500	456	342	1,190	8,824
1938-39	832	1,496	2,097	1,707	1,031	1,241	1,269	1,740	1,241	646	763	1,542	15,605
1939-40	1,403	2,426	2,197	2,772	2,184	2,192	1,313	1,615	1,255	2,193	1,421	953	21,924
Grand Total													52,553

* Dominion Housing Act prior to August, 1938.

LOANS APPROVED UNDER HOME IMPROVEMENT PLAN

(Thousands of Dollars)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
1936-37	—	—	—	—	—	—	—	682	516	303	306	598	2,405
1937-38	1,240	1,606	1,592	1,342	1,146	1,206	1,185	916	613	377	367	533	12,123
1938-39	956	1,325	1,437	1,233	1,138	1,311	1,224	968	648	403	409	650	11,702
1939-40	1,099	1,950	1,902	1,786	1,878	1,653	1,245	1,014	716	487	480	670	14,880
Grand Total													41,110

RAILWAYS

9. Movement of the near-record grain crop and the heavy demands placed on transportation facilities with the outbreak of war were responsible for a level of railway operations during the period since mid-year of 1939 which was considerably higher than that of any recent years. This is graphically illustrated by the striking increase in net operating income for the March-April average of 1940 over that of 1939. Carloadings during the first eight months of war show an increase of 14·4% over the similar period a year earlier.

RAILWAYS

	Calendar Years						Mar.-Apr. Av.	
	1926	1928	1932	1937	1938	1939	1939	1940
All Railways								
Operating Revenues (millions of dollars)	493·6	563·7	293·4	355·1	336·8	366·5*	25·4	30·2*
Net Operating Income (millions of dollars)	+49·2	+57·9	−62·9	−31·2	−55·0	−34·0*	+0·6	+4·0*
Carloadings (thousands of cars)	3,267	3,706	2,179	2,635	2,429	2,549	185	207
Railway Payrolls (millions of dollars)	260·4	287·8	181·1	193·6	195·1	200·0*	14·8	16·1*

* Preliminary.

MONTHLY INDEX OF CARLOADINGS*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	71·4	71·8	68·7	71·5	76·3	81·0	76·0	74·2	73·7	70·7	66·7	70·5
1939-40	69·2	81·1	71·3	76·8	82·0	95·6	80·0	84·0	82·6	86·7	83·1	79·0

* Seasonally adjusted.

FOREIGN TRADE

10. Total Canadian trade with the rest of the world, including net exports of non-monetary gold, was just under two billion dollars in the fiscal year ended March 31, 1940. Exports of merchandise increased by 16·8% over the preceding fiscal year, while imports rose by 25·7%. The relatively greater increase in imports resulted in a reduction of about 2% in the net export balance, including net exports of non-monetary gold.

Although our foreign trade was moving upward prior to last August, the war produced an immediate stimulus to both exports and imports, so that trade during the war period showed a substantially greater proportionate increase

than that of the fiscal year. Exports of merchandise in the eight months ended April, 1940, were 23·9% greater than in the same period of the previous year, while imports of merchandise were 48·9% greater. During this period as compared with the same period a year before our merchandise exports to the United States increased by 47·5% and to the United Kingdom by 19·5%, while imports from the same countries increased by 62·6% and 13·2% respectively. Exports to the United States showed their most marked advance during the first four months of the war when American business was expanding rapidly, while exports to the United Kingdom have shown their substantial increase since the beginning of 1940. Imports from the United States, however, have continued at a high level since the beginning of the war.

Commodity exports which showed notable gains in the war period over the same period of the previous year, and the percentages by which they increased, were as follows: Wheat flour 77%, meats, chiefly bacon and ham 66%, wood pulp 56%, wheat 54%, asbestos 46%, planks and boards 35%, cheese 33%, and paper 22%.

FOREIGN TRADE

(Millions of Dollars)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Merchandise Exports (all gold excluded)	1,260·7	1,376·5	476·9	991·1	991·2	841·6	983·4	60·5	84·1
Net Exports of Non-Monetary Gold†	34·8	36·5	70·7	137·3	147·7	167·5	188·0	13·0	17·1
Total Exports, including Non-Monetary Gold	1,295·5	1,413·0	547·6	1,128·4	1,138·9	1,009·1	1,171·4	73·6	101·2
Merchandise Imports (all gold excluded)	1,030·9	1,265·7	406·4	671·9	799·1	658·2	827·4	50·1	81·3
Total Trade	2,326·4	2,678·7	954·0	1,800·3	1,938·0	1,667·3	1,998·8	123·7	182·5
Export Balance	+264·6	+147·3	+141·2	+456·5	+339·8	+350·9	+344·0	+23·5	+19·9
Merchandise Trade by Countries (all gold excluded)									
United Kingdom—									
Exports	448·0	431·7	185·1	406·8	407·8	326·9	364·0	21·6	38·9
Imports	163·9	194·0	86·5	129·5	145·0	115·6	119·5	8·8	12·4
Other Commonwealth Countries—									
Exports	94·3	107·0	38·2	88·2	108·7	103·5	106·2	7·4	8·8
Imports	50·2	63·4	33·9	68·7	88·2	65·1	85·1	4·0	7·3
United States—									
Exports	472·5	508·9	144·7	364·4	343·3	288·5	399·9	23·5	28·6
Imports	687·0	868·0	232·5	393·7	487·3	412·5	554·1	33·4	55·6
Other Countries—									
Exports	245·9	328·9	109·0	130·8	130·0	122·7	113·3	8·0	7·8
Imports	129·8	120·3	53·5	80·0	78·6	65·0	68·7	3·9	6·0
Principal Commodity Exports									
Non-Monetary Gold†	34·8	36·5	70·7	137·3	147·7	167·5	188·0	13·0	17·1
Paper, chiefly Newsprint	123·2	148·4	77·2	117·8	129·9	115·0	129·4	8·8	12·2
Wheat and Wheat Flour	421·8	493·6	147·5	245·0	139·5	100·3	140·9	3·7	9·0
Copper and its Products	14·9	28·0	12·3	40·2	57·3	53·9	53·6	4·6	4·5
Nickel	12·9	23·9	7·5	45·9	61·9	49·6	57·9	4·7	5·4
Planks and Boards	59·8	47·7	11·1	40·3	43·7	37·1	50·5	2·9	3·8
Meats	29·4	19·2	6·7	36·1	41·4	35·3	45·0	2·7	5·6
Wood Pulp	49·9	44·9	17·8	33·2	40·0	26·8	35·7	2·2	3·9
Automobiles and Parts	36·4	45·4	7·8	22·3	28·3	25·3	23·3	2·0	1·4
Fish	34·5	34·9	16·6	25·1	26·3	25·6	27·9	1·7	2·0
Fruits and Vegetables	18·7	12·0	11·4	13·6	16·6	20·2	22·5	0·7	1·6
Milk and its Products	41·6	35·8	11·7	14·4	17·7	17·6	18·7	0·6	1·0

†Adjusted for earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

EMPLOYMENT AND UNEMPLOYMENT

11. The general index of employment registered a gain of 4·4% during 1939-40 over the previous fiscal year. Although in the early part of 1939 employment was at levels considerably below those of the preceding year, it rose gradually with increased business activity and since June each month has shown a substantial increase over the same month of the year previous. The May 1 figure this year at 118·7 for the general index was about 7·6% higher than the same date in 1939 and was higher than any other May except that of 1929. Greatly increased employment in manufacturing, logging, mining and transportation contributed to this upward movement. The index of employment in construction and maintenance has recently been at levels considerably below those of a year ago owing to curtailment of expenditure on highway construction and maintenance; other branches of construction have shown increases.

The improved employment situation is reflected in the lower number of persons in receipt of relief. In each month since November, 1939, both the numbers of employable unemployed and of all persons on relief have shown a considerable reduction from the same month of the previous year. Preliminary figures for April, 1940, show a decrease of 25·2% from April, 1939, in the total of relief recipients, and a decline of 11% from the same month in the number of employable unemployed. The number of wage-earners unemployed in April, 1940, was estimated by the Bureau of Statistics to be about 367,000, as compared with 473,000 in April, 1939, a decrease of about 22·5%. This 367,000 includes a considerable but unknown number of enlisted men who were formerly unemployed.

EMPLOYMENT INDEXES

(1926=100)

—	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939*	1940*
All Industries	100·8	113·7	84·4	104·4	115·7	110·9	115·8	111·0	118·3
Manufacturing	100·8	112·7	81·8	104·7	115·5	110·0	116·1	108·6	124·8
Logging	100·2	116·6	42·7	153·4	201·6	107·4	130·2	84·4	129·2
Mining	101·2	115·5	97·2	140·7	155·2	157·4	165·4	163·3	170·1
Transportation	100·4	106·7	82·7	84·6	85·2	84·3	86·5	85·0	88·3
Construction and Maintenance	101·4	120·2	77·1	83·5	104·0	110·0	103·3	128·6	79·6
Trade	100·8	118·2	114·4	128·4	132·5	133·4	137·9	132·4	140·6

* Seasonally adjusted as at first of month.

EMPLOYMENT—ALL INDUSTRIES

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	111·2	111·5	111·9	111·4	109·0	110·6	111·0	109·7	111·3	111·3	110·6	111·0
1939-40	111·1	110·3	113·1	113·6	114·3	115·0	115·8	118·3	119·8	120·7	118·8	118·3

* Seasonally adjusted as at first of month.

EMPLOYABLE UNEMPLOYED IN RECEIPT OF MATERIAL AID

From the National Registration—Department of Labour

(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1938-39.....	169	154	138	132	124	115	124	143	162	181	191	192	152
1939-40.....	187	169	149	141	142	125	125	133	147	164	170	173	152

ALL PERSONS IN RECEIPT OF MATERIAL AID

From the National Registration—Department of Labour

(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
All Persons—													
1938-39.....	1,024	956	885	836	758	554	641	787	896	977	1,019	1,028	863
1939-40.....	1,005	923	839	806	803	539	544	586	629	714	753	773	743
AGRICULTURE—													
1938-39.....	392	380	364	339	287	109	168	252	292	321	321	323	295
1939-40.....	319	297	282	271	258	50	60	78	73	96	112	124	168
URBAN—													
1938-39.....	632	576	521	497	471	445	473	535	604	668	698	705	569
1939-40.....	686	626	557	535	545	489	484	508	556	618	641	649	575

WAGE EARNERS UNEMPLOYED*

Estimated by Dominion Bureau of Statistics

(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1938-39.....	437	400	387	407	368	346	378	398	472	485	491	494	421
1939-40.....	473	395	369	352	332	300	283	296	364	377	387	391	360

* Beginning with Sept. 1939, includes a considerable number of enlisted men who were previously unemployed wage earners.

PRICES

12. The gradual decline of wholesale prices which had marked the latter part of the fiscal year 1938–39 continued up until August of 1939, and the index reached a low point of 72·4 in that month. During the economic adjustments that took place in the month or two immediately following the outbreak of war, and in considerable part due to such factors as exchange movement, higher ocean freight and insurance rates, and forward buying both by consumers and producers, wholesale prices of some commodities rose fairly steeply, particularly those of certain imports and exports, including grains and animal products. The total index rose to 79·3 in October, i.e., by about 10% in two months. From that point on to March the rise was more gradual and the index reached a peak of 83·2 in that month. This rise showed up mainly in a further increase in grain prices and in textile prices. Since March there has been a slight decline largely due to lower prices for animal products and grains, and the index for the week ending June 7 was 81·9.

It may be of interest in wartime to note that prices of fully and chiefly manufactured goods have followed very closely the movements of the general index, and that the index of the group "iron and its products" has risen by only about 5% since August while the group "producers' equipment" has increased less than 2%. It may also be worth noting that the index of our export prices had risen by about 24%, and that for imports about 17% between August and April.

During the six months before the war the cost of living remained at the low level to which it had declined in the latter part of 1938. Increased cost of food and, to a much lesser extent, of fuel, caused a rise of about 2% in the index in the first two months of war. Since that time only minor changes have occurred in the total index. Increases in the cost of clothing early in 1940 were offset by some reduction in the cost of food. The latest figure shows an increase of only 3% over that of a year ago.

While no official indexes of wage rates exist except on an annual basis, other information indicates that there have been numerous increases in wage rates, particularly in those trades where there is already some evidence of a shortage of skilled labour.

PRICES

Indexes

(1926=100)

—	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Wholesale Prices	98·8	95·8	65·5	77·2	84·6	76·0	77·8	73·3	83·1
Consumer's goods	98·5	95·2	70·4	75·7	79·7	76·1	77·9	74·1	82·7
Producer's goods	99·0	95·9	61·3	76·4	85·5	72·1	73·2	68·2	80·2
Export prices(†)	100·0	94·2	54·9	71·3	81·1	65·9	66·6	60·8	74·0
Import prices(†)	100·0	96·1	70·5	82·1	89·0	82·2	87·7	80·7	94·2
13 sensitive manufacturing materials	96·3	87·6	36·6	61·0	62·5	49·8	61·4	51·0	67·6
Retail Prices	99·5	98·9	71·3	73·9	79·0	78·7	79·1	77·4	81·4
Cost of Living	99·6	98·9	79·9	81·2	83·6	83·8	84·1	83·1	85·6

† For the fiscal years 1927, 1929 and 1933 figures for nearest calendar years are given.

MONTHLY INDEX OF WHOLESALE PRICES

(1926 = 100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	82·3	80·3	80·1	78·6	76·0	74·5	74·1	73·5	73·3	73·2	73·2	73·3
1939-40	73·4	73·7	73·3	72·6	72·4	78·2	79·3	80·3	81·7	82·6	82·8	83·1

MONTHLY INDEX OF COST OF LIVING

(1926 = 100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	84·2	84·2	84·1	84·2	84·9	84·1	83·9	83·8	83·6	83·3	83·1	83·1
1939-40	83·1	83·1	82·9	83·1	83·0	82·9	84·7	85·0	85·3	85·1	85·2	85·6

FINANCIAL FACTORS

13. The outstanding facts relating to financial conditions during the past year are, firstly, the changes in exchange rates and the imposition of exchange control, secondly, the smooth working of our credit and monetary machinery and, thirdly, the disturbances caused to security markets by various developments in the war.

The foreign exchange value of the Canadian dollar remained close to the United States dollar until about a week before the outbreak of war. Between August 24 and September 15 it fell to a discount of about 10%. On September 15 the Foreign Exchange Control Board was established and after that date all sterling and foreign exchange transactions of Canadian residents were subject to its control. The official rates established by the Board were: American dollars, buying rate, $1.10, selling rate $1.11; Sterling, buying rate $4.43, selling rate $4.47. These official rates closely approximated the actual rates prevailing during the few days prior to control, and have not been changed since they were established. Practically all dealings involving Canadian dollars take place at these official rates. Non-residents of Canada are able to transfer Canadian bank balances and other assets to other non-residents, and there is a market for Canadian dollars in New York which is not subject to control by the Foreign Exchange Control Board. The small volume of transactions in this market makes its rates of little significance and also makes them rather unstable.

During the early months of the fiscal year 1939–40 the average yield on long-term Dominion Government bonds remained close to 3%. In the disturbances that naturally took place on security markets at the time of outbreak of war bond prices declined sharply and the average yield on long-term Dominion bonds in September was about 3·60%. From September to April there was a rather irregular recovery in the prices of these bonds, and by the end of April the yield was back down to 3·25%. Since that time there has been a small decline in price, and yields during the first half of June have been in the neighbourhood of 3⅓%. Canadian stock prices declined moderately in the weeks preceding the outbreak of war. After the war began industrial share prices rose sharply, particularly those of pulp and paper companies. Golds and utility stocks also began to rise before the end of September, and there was a general but mild upward movement till the end of the year. During the first four months of 1940 all groups except the paper stocks suffered a small and gradual decline. In May, however, there was general and severe liquidation which carried most groups to levels lower than any in recent years.

During the first five months of the fiscal year 1939-40 monetary and banking conditions remained stable. Cash reserves of the Chartered Banks increased slightly from $257 millions in March to $261 millions in August, while Canadian deposits of the banks increased in proportion. During the three months after the outbreak of war the Bank of Canada added substantially to its security holdings which increased from about $163 millions in August to $248 millions in November. This provided cash to meet the enlarged public demands for currency and to increase the cash reserves of the Chartered Banks from an average of $261 millions in August to an average of $294 millions in November. With this increase in their reserves the Chartered Banks were enabled to increase their Canadian deposits from $2,565,000,000 at the end of August to an all time record figure of $2,871,000,000 at the end of November. In these three months the security holdings of the Chartered Banks rose by $158 millions, and their current loans to the public by $147 millions. From November until April the Bank of Canada gradually reduced its security holdings from $248 millions to $206 millions. The cash reserves of the Chartered Banks have fallen in the same period from $294 millions to $271 millions. Total Canadian deposits of the Chartered Banks have been reduced less than in proportion and at the end

of April amounted to about $2,753,000,000. This has involved a reduction of the security holdings of the Chartered Banks of about $73 millions, which is a little less than half their increase last fall.

Total net Government and corporate bond issues in 1939, as reported by the Bank of Canada, amounted to about $237 millions, exclusive of municipal issues. This compares with $174 millions, $56 millions and $106 millions in the preceding three years. The $237 millions included net Dominion direct and guaranteed and other C.N.R. issues amounting to $177 millions, Provincial issues amounting to $79 millions and net retirements of corporation issues of $20 millions. In the first quarter of 1940 there have been net Dominion and C.N.R. issues of about $168 millions and net Provincial issues of about $40 millions.

On April 30, 1940, an Order in Council was passed requiring all Canadian residents to sell their holdings of foreign exchange (but not of foreign securities) to the Foreign Exchange Control Board before May 31. Some exemptions were made for those requiring a certain amount of foreign exchange to carry on their normal business. As part of this mobilization of foreign exchange resources the gold and most of the foreign exchange reserves of the Bank of Canada were transferred to the Board. In order to provide the Board with the funds to purchase this gold and foreign exchange, the Exchange Fund was increased by $325,000,000, which was raised by the sale to the Bank of Canada of that amount of short-term Dominion securities. As a consequence of these operations the statements of the Bank of Canada since May 1 show no figures for gold coin and bullion, and much larger figures for investments. The value of gold held by the Bank on April 30 was $225,772,887.41.

FINANCIAL FACTORS

—	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Security Prices and Yields									
Indexes of Common Stock Prices (1926=100)									
General Index	101·8	173·3	52·1	125·5	117·6	103·8	99·4	99·9	98·0
Industrials	102·4	222·2	60·1	207·6	192·2	171·8	163·0	164·5	157·0
Gold Mines	—	94·1	59·0	132·0	112·7	118·8	107·9	114·1	96·1
Dominion Bonds—Average Yields (%)	4·82	4·64	4·90	3·29	3·32	3·09	3·26	3·03	3·30
Dominion Treasury Bills—Average Yield (%)	—	—	—	·778	·739	·601	·702	·650	·745
Banking and Currency									
(Millions of Dollars)									
Bank of Canada—									
Total Reserves	—	—	—	194·8	206·0	217·5	267·0	236·4	284·6
Total Security Holdings	—	—	—	135·8	166·6	179·5	200·2	160·3	20o·9
Active Note Circulation	—	—	—	70·6	95·9	107·8	140·5	108·3	152·7
Government Deposits	—	—	—	23·1	23·7	24·0	39·3	19·8	47·7
Chartered Banks' Cash Reserves	—	—	—	230·6	243·1	259·5	270·8	258·6	269·9
Chartered Banks—									
Canadian Deposits	1,978·0	2,274·0	1,929·0	2,280·1	2,390·6	2,487·0	2,697·0	2,544·5	2,743·5
Notice Deposits	1,355·7	1,507·0	1,378·3	1,530·6	1,584·7	1,649·6	1,700·1	1 698·7	1,666·3
Demand Deposits	557·8	682·4	473·1	646·0	684·0	705·0	764·1	710·4	791·0
Total Security Holdings	517·8	517·0	726·2	1,370·3	1,430·7	1,450·5	1,577·5	1,503·9	1,595·4
Current Loans in Canada	957·7	1,212·9	997·9	685·6	744·1	799·4	899·7	807·3	959·2
Call Loans in Canada	145·5	260·1	109·0	104·0	94·3	64·5	52·6	55·0	52·9